



**REPORT TO:** East Lothian IJB – Audit and Risk Committee

**MEETING DATE:** 18 June 2024

**BY:** Chief Internal Auditor

**SUBJECT:** Internal Audit Assurance Exercise: Adult Social Care  
Commissioned Services Forecasting

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## **1 PURPOSE**

- 1.1 To inform the Audit and Risk Committee of the recent assurance exercise undertaken by the East Lothian Council Internal Audit Service covering Adult Social Care Commissioned Services Forecasting.

## **2 RECOMMENDATION**

- 2.1 The Audit and Risk Committee is asked to note the contents of the assurance report covering Adult Social Care Commissioned Services Forecasting.

## **3 BACKGROUND**

- 3.1 An assurance review of Adult Social Care Commissioned Services Forecasting was undertaken at the request of the Executive Director for Council Resources and the Chief Officer East Lothian IJB.

- 3.2 The agreed objectives of this review were as follows:

Internal Audit would review the current year-end forecasts in depth to establish if assumptions made in year-end forecasting can be accurately verified to base documentation or require to be altered, including:

- Is the care package information recorded in Mosiac and used to inform the year-end forecast up to date and changes recorded in a timely manner;
- Is the process of accounting for variations in care packages actually delivered sufficiently robust to inform accurate year-end forecasts; and

- Is the reporting information and processes used to inform year-end forecasts sufficiently robust to provide accurate year-end forecasts.

Internal Audit will review processes to ascertain any delays in invoicing to understand if there are delays and request expedited invoices and reasons for any delays.

3.3 The main findings from our audit work are outlined in the attached report.

#### **4 ENGAGEMENT**

4.1 The findings from the review have been discussed with Management, but do not require wider engagement.

#### **5 POLICY IMPLICATIONS**

5.1 None

#### **6 INTEGRATED IMPACT ASSESSMENT**

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

#### **7 DIRECTIONS**

7.1 The subject of this report does not require any amendment to or creation of Directions.

#### **8 RESOURCE IMPLICATIONS**

8.1 Financial – None

8.2 Personnel – None

8.3 Other – None

#### **9 BACKGROUND PAPERS**

9.1 Appendix 1 Internal Audit Assurance Memo – Adult Social Care Commissioned Services Forecasting

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| <b>DATE</b>          | 7 June 2024                   |



### East Lothian Council Internal Audit Interim Assurance Statement

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| From: | Duncan Stainbank, Service Manager – Internal Audit<br>Stuart Allan, Senior Auditor<br>Liz Gray, Senior Audit Assistant  |
| To:   | Sarah Fortune, Executive Director for Council Resources<br>Fiona Wilson, Chief Officer ELIJB<br>Ellie Dunnet, Head of Finance<br>David Hood, Head of Operations |
| Date: | 28 May 2024   |

#### **Adult Social Care Commissioned Services Forecasting**

##### **1. Background**

Issues in providing accurate forecasting of expenditure in relation to commissioned services within Adult Social Care within East Lothian Council (ELC) have been reported during both the 2022/23 and 2023/24 financial years and in previous years. Whilst additional resources have been put in place within the central finance and the adult social care finance teams coming towards the 2023/24 year-end concerns over the forecasting remain from Health & Social Care Partnership (HSCP) Management.

Concerns have been expressed that forecast expenditure for the final two months of the year appear to be higher than the current running rate for expenditure for the year. Expenditure on Commissioned Services to end of Month 10 was £30.8m with a year-end projection of £47.65m. In a number of areas there appear to be delays in expenditure being recognised e.g. expenditure invoicing that impacts on certainty of forecasting.

At a meeting on 19 February 2024 it was agreed that there would be two key Internal Audit actions in relation to resolving this issue, being:

1. Internal Audit would review the current year-end forecasts in depth to establish if assumptions made in year-end forecasting can be accurately verified to base documentation or require to be altered, including:
  - Is the care package information recorded in Mosaic and used to inform the year-end forecast up to date and changes recorded in a timely manner;
  - Is the process of accounting for variations in care packages actually delivered sufficiently robust to inform accurate year-end forecasts; and
  - Is the reporting information and processes used to inform year-end forecasts sufficiently robust to provide accurate year-end forecasts.
2. Internal Audit will review processes to ascertain any delays in invoicing to understand if there are delays and request expedited invoices and reasons for any delays.

## **2. Forecasting Process**

Adult Social Care expenditure forecasting begins with commitments that have been raised in the Social Care Mosaic system. Commitments are packages of care that have been authorised for expenditure through external provision of care services and associated costs including transport costs. These committed costs change as new clients are assessed for packages of care and existing clients stop receiving packages or they are altered. A series of adjustments are then made to the committed costs that are recorded in Mosaic in arriving at an overall forecast for the end of the year, these are:

- a) When invoices have been received for care provided then variations on the invoices, either higher than expected payments, or more often lower than expected payments will be reflected in the forecast. Finance will extrapolate changes when clear that they will continue in the forecast to the end of the financial year, until Social Care management and staff make appropriate permanent changes to care packages. These variations are reflected within the forecast, with 2023/24 being the first year that they have been included within the forecast and this is a significant improvement.
- b) Specific finance adjustments will be made when they are aware of specific changes such as Direct Payment clawbacks, client transitions (children to adults), additional costs not yet paid (interim care beds) or larger packages of care that are not being delivered or have not yet been invoiced for. These changes are based on advice from the service areas as part of regular ongoing discussions, but remain only as accurate as the information available.
- c) Information provided from quarterly reconciliations of commitments against the invoices being received that identify some of the adjustments that are made in b) above. This was last completed for information at the end of period 9 of the 2023/24 financial year.

One of the key items of financial processing that impacts on these adjustments is that actual expenditure is recognised on payment of an invoice. As invoice provision only occurs after the care has been provided and is mostly on a four weekly or monthly basis with the Council having a target of paying invoices within 30 days (with LGBF showing a 2022/23 achievement of 88% against this target up from 83% for the prior year), this results in expenditure recorded as actual in period 10, being mainly expenditure incurred in period 9 or prior periods. Variations identified also then relate to this earlier period, however Finance use these previous variations to predict future variations to amend the overall forecast accordingly, but can only complete this when invoices are processed.

## **3. Findings**

Internal Audit reviewed a small sample of the variations on the invoices and found them to be correct to the variations identified. However, it is noted that there are issues with this process in that this only adjusts for variations for current invoices received. Therefore, if commitments are not adjusted as a result of the identified variations, then this still carries forward incorrect information within the future period commitments, this cannot be assumed by Finance as variations in a prior period may be as a result of slow set up of care package, breaks in the package or staff shortages that will not continue into future periods. In addition, the variation report will not pick up variations if no invoice has been received. One example for the P11 forecast highlights the issue in that the client has a forecast expenditure of £37,753 with actual expenditure for the year of £40. On review a care package of £688.45 a week for 1:1 support from a provider had been put in place for this client totalling £35,799.40. As this care plan had not been reviewed the social worker was unaware that this package was not being provided and the provider has recently confirmed that it was not required. However, no variations were identified as no invoicing has been received.

In a further case, there was P11 forecast expenditure of £77,477 with actual expenditure of £22,656. Variations had not been identified as no invoices have been paid since April 2023. However, there are invoices that are in dispute for this client, but no adjustments have been made to the forecast and there is no register of disputed invoices that would provide further information to review the current forecast against these clients. Internal Audit understand that invoice payments may be made on this client shortly so actual figures can be updated.

Adult Social Care service managers receive regular budget information on a monthly basis, however they are only requested to confirm that they agree with their service forecasts at months 3, 6 and 9. Interviews with Social Work service managers indicated that whilst they may sign-off on the forecasts they were not suitably knowledgeable concerning the information that they were being provided with to understand fully the implications of the forecasts that they are being asked to comment upon. However, they did indicate that they found regular meetings with Finance staff to be more useful.

It is noted that Social Work managers do meet with their appropriate Finance contact on a monthly basis and financial overview meetings are held on a monthly basis. Opportunities are provided for appropriate discussion and agreement of forecasts provided.

We do not believe that there is a full set of procedures identifying timelines for completing systems updates in place across Social Work and Finance to provide month end clarity on forecast processes.

During the course of the work completed Internal Audit staff noted that some of the budgets for commissioned services had not been set in accordance with the realised expenditure, for example Learning Disabilities External Hire has a budget of £100k, but actual expenditure of £499K and a P11 forecast of £610K. The overall Support Services budget was £1.64 million however the P11 forecast is £3.2 million, although this potentially mirrors the Care at Home service that had a budget of £21.9 million yet has a P11 forecast of £20.1 million. It is understood that there is no in-year process to vary budgets formally in order to make budget reports more meaningful.

#### **4. Conclusions**

The East Lothian Council Adult Services commissioned services expenditure forecast process can identify a larger than likely forecast expenditure at the beginning of the year based on full provision of all commissioned services as recorded on Mosaic. As awareness increases of the actual expenditure incurred then the overall forecast for year-end expenditure is reduced.

As actual expenditure is based on paid invoices and not accrued expenditure estimates, then actual expenditure recorded will remain out of date and inaccurate against expenditure that has been actually incurred, this increases the reliance on an accurate forecast. Genuine increases or decreases in client numbers and care package changes will be reflected in the forecast when these have been added to the Mosaic system.

Improvements have been made in 2023/24 in the forecasting being completed, however further improvements are required that will require the full support of both Adult Social Care and Finance management and staff. It is vital that information in Mosaic on care packages is up to date and accurate, with monitoring of invoices not being received and packages with lower or no expenditure being reconciled and reviewed by Social Work management on a monthly basis.

East Lothian Council finance systems require significant upgrading and do not support a full commitment accounting process currently, however if this is implemented even more reliance will be

placed on Social Work data from the Mosaic system to provide accurate forecasts of actual expenditure on a monthly basis.

## **5. Recommendations**

**Recommendation 1:** Following monthly variations reporting of invoices Social Work management should be required to review and update all care plans on Mosaic for invoices showing significant variances, Senior Social Work management should oversee completion of this exercise on a monthly basis.

**Responsible Officer:** David Hood, Head of Operations

**Management Response & Timescale:** Head of Operations will establish an initial working group including HSCP and Finance colleagues to review monthly reporting of variations, agree thresholds for reviewing of significant variances and timely update of Mosaic. **Timescale: 30 June 2024**

**Recommendation 2:** Mosaic to invoice reconciliations should be completed on a monthly basis and Social Work Management should be required to review and update all care plans on Mosaic for care plans showing significant variances, including where no invoices have been received, Senior Social Work management should oversee completion of this exercise on a monthly basis.

**Responsible Officer:** David Hood, Head of Operations

**Management Response & Timescale:** Head of Operations will establish an initial working group including HSCP and Finance colleagues to review monthly reporting of invoice reconciliations and outstanding invoices, agree thresholds for reviewing of significant variances and timely update of Mosaic. **Timescale: 30 June 2024**

**Recommendation 3:** Adult Social Work should maintain a listing of disputed invoices including the forecast values, estimated values that should be paid and currently invoiced values being disputed. This listing should be shared with Finance as part of a month end process.

**Responsible Officer:** David Hood, Head of Operations

**Management Response & Timescale:** HSCP Mosaic Team will update current reporting arrangements to include those invoices in dispute. These will then be reviewed by value and if material reviewed and Mosaic updated if required. **Timescale: July 2024**

**Recommendation 4:** A month end timetable should be developed between Adult Social Work and Finance staff indicating when tasks are expected to be completed in order to provide the most up to date forecast back to management with accurate and up to date data.

**Responsible Officer:** David Hood, Head of Operations & Ellie Dunnet, Head of Finance

**Management Response & Timescale:** Revised month end timetables are being developed within Finance for the beginning of the 2024/25 financial year. Updated Commissioning reporting timetable will also be developed in conjunction with Finance and HSCP teams to include outputs of other recommendations: **Timescale: August 2024**

**Recommendation 5:** Planned improved forecasting reporting should be implemented by Finance with Adult Social Care management and be brought in with enhanced training on forecast reporting and management, with both Finance and Adult Social Work Management training on new processes together.

**Responsible Officer:** David Hood, Head of Operations & Ellie Dunnet, Head of Finance

**Management Response & Timescale:** Finance are developing a package of training for the 2024/25 financial year that will incorporate this. This will be supported through the HSCP management team and training on roll out of any new processes. **Timescale: Autumn 2024**

**Recommendation 6:** As part of the month 6 meetings in relation to budget monitoring in Adult Social Care consideration of viring budget from one code to another should be given where significant variances in the expected use of budgets are noted, this process will not increase the overall social care budget in any way. Future budget monitoring reports should be against the revised budget.

**Responsible Officer:** David Hood, Head of Operations & Ellie Dunnet, Head of Finance

**Management Response & Timescale:** Finance are ensuring that budgets being entered onto the ledger are as accurate as possible and will work with Social Care Management to consider any in-year adjustments that may be required. **Timescale: Ongoing**

**Recommendation 7:** As part of any new finance system implementation within East Lothian Council a system should be purchased that allows for a full commitment based accounting, in conjunction with Mosaic changes, as required to provide a pathway to obtain more accurate actual expenditure on a monthly basis.

**Responsible Officer:** Ellie Dunnet, Head of Finance

**Management Response & Timescale:** This will be considered as part of any financial systems project.