



# Final Internal Audit Report

## Community Care Payments

### September 2021

**Distribution:**

- Interim Executive Director of Adult Social Care & Health
- Interim Director of Adult Social Care Operations
- Head of Business and Service Compliance
- Finance Manager
- Interim Head of 25-65 Disability
- Head of Provider Services
- Head of Integrated Contracts
- Placements and Brokerage Manager

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	5
	Priority 2	1
	Priority 3	2

**Confidentiality and Disclosure Clause**

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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3. Statement of Responsibility

## 1. Introduction

- 1.1 The Council makes cyclical payments to community care service providers in respect of residential and nursing care clients, shared and subsistence lives, and through direct payments. These are made through the SWIFT application via an interface with OneOracle.
- 1.2 Commitments are raised via commitment forms, detailing the price, duration, the client and the provider. Once this form is authorised and appropriate funding authorisation obtained for the commitment, the information is uploaded to the SWIFT system. Residential and nursing clients and direct payment runs are actioned on a monthly basis.
- 1.3 As part of the agreed 2019/20 Internal Audit Plan, an internal audit of Community Care Payments was undertaken.

## 2. Key Issues

- 2.1 It should be noted that most of the issues identified in this audit report have been raised in previous audit reports in 2018/19, 2017/18 and 2016/17. However, the SWIFT system (with AIS workflow module) is being replaced by the LIQUIDLOGIC system (with CONTROCC module for managing and processing payments) in the autumn 2020. With the introduction of the new system, the intention is to also improve current working practices, so that *inter alia* commitments are properly raised and approved in a timely manner.

Priority 1 Issues
Funding approval for nine of the sample of 16 nursing and residential clients and direct payment clients tested was after the placements had commenced. <b>(Issue 1)</b>
Commitment forms were raised more than seven days after the placements commenced for 12 of the sample of 18 nursing and residential clients and direct payment clients tested. <b>(Issue 2)</b>
Following authorisation of the commitment forms, delays in inputting the payment details onto SWIFT were identified for nine of the sample of 18 nursing and residential clients and direct payment clients. <b>(Issue 3)</b>
Testing of the ad hoc payments process, used for payments other than those on the regular SWIFT payment runs, found that <ul style="list-style-type: none"> <li>• There was no escalation process if either of the normal approvers was not available;</li> <li>• A list of the ad hoc payments processed was not held, and</li> <li>• The ad hoc payments did not contain reference/s to the initial payment request that was late / went wrong.</li> </ul> <b>(Issue 4)</b>
The payment files created by SWIFT, which contain the payee bank account details, were open to amendment. <b>(Issue 5)</b>

**Priority 2 Issues**

The Remittance advice slips distributed to care providers with each payment run were not always returned signed as required, did not include a fraud declaration and included client names, (instead of client references for example). **(Issue 6)**

The Priority 3 issues are detailed in area 4 below.

3. Actions and Key Findings/Rationale

<b>Control Area 2: Notification of Placements</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 1</b>				
1	Implementation of new adult social care system and ContrOCC payment system to improve payments.	<p>In line with the Council’s Payments Procedures, authorisation to incur expenditure must occur prior to providers or suppliers being asked to provide goods or services. Examination of the funding approval records for a sample of 18 clients who received funding in the 2019/20 financial year found that:</p> <ul style="list-style-type: none"> <li>• For six of the nursing and residential clients, the funding was approved after the placement start date (IDs: 114091 (57 days), 2069132 (102 days), 2092140 (7 days), 24688 (12 days), 24787 (33 days) and 24561 (175 days))</li> <li>• For three of the direct payment clients, the funding was approved after the placement start date, (IDs: 26261 (173 days), 14887 (8 days) and 14005 (10 days); and</li> <li>• For two of the direct payment clients, confirmation of funding approval could not be located, (IDs: 8365 and 2479616).</li> </ul>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Business and Service Compliance</td> <td>N/a</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Business and Service Compliance	N/a	<p>Where placement funding is not evidenced as appropriately authorised prior to the placement date, there is a risk that the Council is committed to inappropriate placements. Furthermore, there is a risk that payments to providers are delayed, resulting in reputational damage to the Council.</p>
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Business and Service Compliance	N/a					

<b>Control Area 2: Notification of Placements</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 2</b>				
1	<p>Swift and AIS no longer in place, replaced by the new LAS system and ContrOCC.</p> <p>These now being implemented the weekly commitments list are no longer needed.</p> <p>Once a plan or provision is agreed through work flow it moves into ContrOCC.</p>	<p>In order to set up or amend the placements on SWIFT, commitment forms are required to be set up on AIS and appropriately workflow approved before being passed to the Reconciliation and Data Entry Officers to process. Commitment forms are required to be raised within at least seven days of placement to help ensure that payments can be made in a timely manner to the provider. This also allows the Council to be able to monitor and track the commitment and reduce the chance of clients being ‘lost in the system’.</p> <p>Examination of the commitment forms for a sample of 18 clients who received funding in the 2019/20 financial year found that:</p> <ul style="list-style-type: none"> <li>• For eight of the nursing and residential client cases the commitment forms were raised more than seven days after the placements commenced, (IDs: 114091(181 days), 2069132 (12 days), 2092140 (126 days), 45455 (11 days), 24688 (10 days), 24787 (28 days), 14382 (182 days) and 14838 (37 days)); and</li> <li>• For four of the direct payments cases the commitment forms were raised more than 7 days after the placement start dates; (IDs: 26261 (123 days), 2191644 (16 days), 2479616 (14 days) and 14005 (13 days)).</li> </ul> <p>It is acknowledged that weekly late commitment reports are being circulated to the respective Heads of Service so that suitable action can be taken to help prevent these; however, based on sample testing, the number of late commitment forms has not improved since the 2016/17 FY annual audit, where this same issue was raised</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Business and Service Compliance</td> <td style="text-align: center;">N/a</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Business and Service Compliance	N/a	<p>Where commitment forms are not raised in a timely manner, the payment process is delayed. Furthermore, where the delays are lengthy, there is an impact on budget management with the Service’s financial position being misstated.</p>
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Business and Service Compliance	N/a					

<b>Control Area 3: Payments to Service Providers</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 3</b>				
1	Implementation of new social care system been agreed and full plan in place.	<p>Once a commitment form is authorised, the payment details are required to be input onto SWIFT so that the care can be paid for in the regular SWIFT payment runs.</p> <p>Comparison of the commitment forms to the records on SWIFT for a sample of 18 clients who received funding in the 2019/20 financial year found that, while some client payment details were input on the same day or within a couple of days, some delays in the payment details being input were identified, as follows:</p> <ul style="list-style-type: none"> <li>• For six nursing and residential clients delays were noted (Days: 11 (ID: 45455), 15 (ID: 2039567), 19 (ID: 114091), 25 (ID: 2092140), 62 (ID: 24561) and 70 days (ID: 2069132); and</li> <li>• For three direct payments clients delays were noted. (Days: 20 (ID: 2479616), 35 (ID: 14877) and 42 days (ID: 11085).</li> </ul> <p>Furthermore, cost codes on SWIFT that did not match those on the commitment forms for five of the direct payment clients were also identified.</p>				
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;"><b>Responsible officer</b></th> <th style="width: 50%;"><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Business and Service Compliance</td> <td style="text-align: center;">N/a</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Business and Service Compliance	N/a	Where payment details are not entered onto SWIFT in a timely manner, there is an increased risk of payments being late to service providers, resulting in reputational damage to the Council.
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Business and Service Compliance	N/a					

<b>Control Area 3: Payments to Service Providers</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 4</b>				
1	New system has been implemented LAS full programme to ensure this is completed.	<p>Where the payment details are not input onto SWIFT prior to the first payment run after care commencing, ad hoc payments are required to be processed for any additional amounts due. Unlike the regular payment runs, where authorisation of the payment is via the commitment form in SWIFT, ad hoc payments are required to be individually authorised on ‘MyResources’ (the accounts payable system).</p> <p>It was established that the process is for ad hoc payments to be raised by the Payments Officer and then sent to the Community Care Payments Team Manager for authorisation. The Community Care Payments Team Manager has delegated financial authority for payments up to £10k, with payments over this limit being approved by the Assistant Director 0-65 Disability Service (who has delegated financial authority for payments up to £100k). However,</p> <ul style="list-style-type: none"> <li>• There is no escalation process if either the Community Care Payments Team Manager or the Assistant Director 0-65 Disability Service is not available (for example on leave);</li> <li>• A list of the ad hoc payments processed was not held and</li> <li>• The ad hoc payments did not contain reference/s to the initial payment request that was late / went wrong. Therefore it is not evident which ad hoc payment is made in respect of which unsuccessful payment.</li> </ul>				
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<b>Responsible officer</b>	<b>Deadline</b>					
Head of Business and Service Compliance	N/a					

<b>Control Area 2: Payments to Service Providers</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 5</b>				
1	This is been part of the update of the implementation of LAS and ContrOCC.	<p>Swift payment runs occur every four weeks for Nursing and Residential Services and Direct Payments, and every two weeks for Subsistence and Shared Lives. For each of the payment runs the Community Care Payments Team Manager receives a pre-payment run report and reconciles the data from the report with the data on the SWIFT system, which he receives via email from the payment officer (or two of the other payment officers in the team in her absence). Once satisfied, the Community Care Payments Team Manager authorises payments to be processed on SWIFT, and the payment run is exported to the SWIFT folder.</p> <p>Audit testing confirmed the above process to be in place; however, it was found that, once approved, one of the three Payment Officers will move the payment run file into the ICT input folder for the ICT team member to convert (using a 'Black box' solution) into the correct format before the importing the file into the accounts payable system for payment. The payment files created by SWIFT, which contain the payee bank account details, are in a text format and are open to amendment.</p> <p>Although, the Payment Officers will also email ICT team member (copying the Community Care Payments Team Manager) a screenshot from SWIFT of the payment run balances and the ICT team member will send back a copy of the accounts payable interface report to the payments officer, these checks look at control totals and number of entries and do not verify that none of the bank account details have been changed.</p> <p>Furthermore, comparison of the screenshots from SWIFT and corresponding accounts payable interface reports for a sample of payment runs identified that:</p> <ul style="list-style-type: none"> <li>• For the subsistence and shared lives payment run for the period 15 to 28 July 2019 no SWIFT screenshot was available, (the payment run was for a total of £163,856.75); and</li> <li>• No explanation could be provided as to why the data on the SWIFT system (as per the email from the payment officer to the Community Care Payments Team</li> </ul>				
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Head of Business and Service Compliance	N/a					

		<p>Manager) for the period 9 to 22 September 2019 did not match the corresponding accounts payable interface report (a difference of £803.90).</p> <p>Where staff are able to edit the payment run file, there is a risk of fraud. Considering that the total of Nursing Residential payment files can exceed £5m, this is a serious risk.</p>
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<b>Control Area 3: Payments to Service Providers</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 6</b>				
2	The LAS system and ContrOCC system is now in place and has been implemented.	<p>Remittance advice slips are distributed to care providers with each payment run, which are required to be, where appropriate, amended and then certified and returned to Council as confirmation that the provider has received the correct payment for the clients in their care.</p> <p>Testing of a sample of 10 remittance advice slips across different providers and payment periods confirmed that in all cases a remittance advice slip had been produced and sent to the respective providers. It was; however, noted that:</p> <ul style="list-style-type: none"> <li>• In two cases remittance advice slips were not returned signed despite these being chasing;</li> <li>• The remittance advice slips did not include a fraud declaration. (A fraud declaration will provide the Council with greater recourse should fraudulent information be provided); and</li> <li>• The remittance advice slips included client names, (instead of, for instance, client reference numbers.) With these remittance advices being sent to a number of different providers and then being returned to the Council, there is a risk of a data breach occurring.</li> </ul> <p>It is acknowledged that the SWIFT system currently used is being replaced in the autumn by LIQUIDLOGIC and CONTROCC (a bolt on for processing payments). With the new system it is intended that there will be a portal which community care providers will log in to and provided approval in order to release payments from the Council. This is a protection mechanism against payment going through to the providers who do not return the remittance advice slips confirming that their clients are still resident.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Business and Service Compliance</td> <td style="text-align: center;">N/a</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Business and Service Compliance	N/a	<p>Where remittance advice slips include client names, there is a risk of a data breach occurring should these go missing or be sent to an incorrect provider in error. This</p>
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Business and Service Compliance	N/a					

		would be a breach of GDPR and the Data Protection Act 2018, which could result in a significant fine.
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**Priority 3 Issues**

Action Proposed by Management	Findings
<p>1. This is all done now through work flow within the new system this has been mitigated.</p> <p>The procedures have been updated and are available to all staff training plan rolled out and updates available.</p>	<p>In order to help ensure that staff are consistent and effective in their duties and that management and legal requirements are complied with, appropriate procedural and guidance notes should be available to staff.</p> <p>It was confirmed that various procedural guidance was in place; however, during testing, it was established that AIS User Guide had not been updated since April 2015. Additionally, most of the SWIFT Payments guides did not contain a review date or are outdated as follows:</p> <ul style="list-style-type: none"> <li>• Payment Officer basic guide in process adjustments / no date;</li> <li>• Swift Finance - Authorising for managers / no date;</li> <li>• Swift Finance - Dealing with De-Auth's Payments / no date;</li> <li>• Swift ISP - Operator guidance V0 7 UD / dated July 2010; and</li> <li>• Entering details against a billing address / no date.</li> </ul> <p>Discussion with the Payments and Provider Maintenance Team Manager established that the guides were not planned to be updated because the Payments team is to move to another system in the autumn of 2020.</p> <p>The procedure for new member introduction to SWIFT involves experienced staff members conducting unofficial training and learning on-the-go.</p> <p>Where procedure documents are not regularly reviewed, there is a risk that staff are following outdated guidance, which may result in these staff not performing their jobs to the expected or legal standard.</p>
<p>2. This is no longer applicable. All staff trained on the new LAS and, where applicable, the ContrOCC systems.</p>	<p>There are two-day 'AIS Practioner' training sessions held twice a month and one day 'AIS Overview' training sessions held once a month to train employees on the usage of the AIS system.</p>

	<p>There were no attendance sheets available for the AIS Overview training session sampled (held on 5 March 2019) or for the AIS Practitioner training session sampled (held on 14-15 March 2019). Although, screenshots of the invitation emails for these two training sessions were provided, this is not a record of who actually attended the sessions.</p> <p>Discussion established that there was no specialised training offered on the raising of commitments, although should a new team be set up with a need for specialised training, then the Adults - BST could provide this.</p> <p>It is acknowledged that the SWIFT system currently used is being replaced in the Autumn by LIQUIDLOGIC and CONTROCC (a bolt on for processing payments) and that a new suite of training will need to be provided.</p> <p>Without appropriate records, it is not possible to determine who has attended the respective training courses and to assess training needs. Where training on individual aspects of the AIS system are not provided, there is a risk that staff rather than attending the full one day and two days courses elect not to be trained.</p>
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## TERMS OF REFERENCE

### Community Care Payments

#### 1. INTRODUCTION

- 1.1 The Council makes cyclical payments to community care service providers in respect of residential and nursing care clients, as well as domiciliary care payments. These are made using the SWIFT program following an interface with OneOracle.
- 1.2 This audit will focus on those residential payments in respect of the 25 to 65 disability service. Croydon provides help, advice and support to people with care and support needs and their carers. This could be due to a range of disabilities including physical disability, learning disability, sensory impairment - hearing loss or sight loss - a long term health condition, caring responsibilities, reasons that impact health and wellbeing.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2019/20.

#### 2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
  - Conduct sample testing of the identified key controls, and
  - Report on these accordingly.

#### 3. SCOPE

- 3.1 This audit included the following areas:

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	1
Notification of Placements	3	0	1
Payments to Service Providers	2	1	0
Risk Register	0	0	0
<b>Total</b>	<b>5</b>	<b>1</b>	<b>2</b>

## DEFINITIONS FOR AUDIT OPINIONS AND ISSUES RAISED

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to issues raised are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

## STATEMENT OF RESPONSIBILITY

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

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our 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 our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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