



## Audit Panel

### **Report title: Managers' progress with improvements relating to 2019/20 audits of concern**

**Date:** 4 November 2020

**Key decision:** No.

**Class:** Part 1

**Ward(s) affected:** All

**Contributors:** Director of Corporate Resources

### **Outline and recommendations**

This report describes managers' progress with improving controls in service areas that were identified by internal audit work during 2019/20 as having 'Limited' assurance or where an audit opinion could not be provided.

Members are asked to note the progress and raise questions directly to the accountable officers in attendance.

## **Summary**

### **Background**

- 1.1. The Internal Audit Annual Assurance report for 2019/20 identified a number of service areas where the overall assurance was assessed as 'Limited' or where an opinion could not be provided. The Assurance report was discussed by members of the Audit Panel at the meeting on 30 September 2020.

### **Introduction**

- 1.2. Internal audit work is undertaken to evaluate governance, risk management and control processes using a systematic and disciplined approach. An objective, overall opinion is assigned to each audited area, based on the number and risk profile of the findings identified and classified in terms of one of four categories of assurance: Substantial, Satisfactory, Limited or No Assurance. Definitions of risk ratings and assurance opinions are provided in Annex 1. Therefore, the process contributes to the continuous improvement of the Council's governance, risk management and internal control processes.
- 1.3. The work completed by Internal Audit during 2019/20 was summarised in an Annual Assurance Report, which was presented to Audit Panel on 30 September. Members raised a number of questions about the details and results reported. In particular, a summary of

audits undertaken on key financial processes within the Council highlighted services where audit assurances were Limited or where no opinion could be given. Members requested that progress relating to the following audits should be presented to the following Audit Panel:

- Accounts Receivable and Debt Recovery (Limited assurance)
- Client Contributions for Care Provision (Limited assurance)
- Payments to Childcare Providers and Foster Carers for Looked After Children (Unable to provide an opinion)

- 1.4. The Executive Summary from the report for each of these audits is provided in Appendices 1 - 3.
- 1.5. It was also reported that Internal Audit was unable to provide an opinion for an audit of Banking. This subject area is currently being re-audited and it is anticipated that the outcome will be reported in the Internal Audit Progress Update to the January 2021 Audit Panel.

### Managers' progress since audits were completed

- 1.6. Managers responsible for implementing actions arising from each of the audits listed above were contacted to provide updates regarding their progress with implementing improvements for the High and Medium category findings. Their self-assessments are summarised below:

**Table 1: Accounts Receivable and Debt Recovery 2019/20 – Status of Management Action**

Rec No.	Recommendation Heading	Category	Status	Original Due Date	Owner
1	Raising Invoices - Raising and Processing Credit Notes	Medium	No response	31/12/2020	Director of Financial Services
2	Raising Invoices - Raising and Processing Invoice Requests	Medium	No response	31/12/2020	Director of Financial Services
4	Income and Debt Recovery - Recovery Action	High	In Progress	31/12/2020	Enforcement Manager
5	Income and Debt Recovery - Housing Benefit Debt Recovery	Medium	Partly complete	31/12/2020	Debt Collection Manager
6	Income and Debt Recovery - Instalment Arrangements Sundry Debt	Medium	Complete	31/12/2020	Enforcement Manager
8	Write-Offs - Write Off Documentation	Medium	Complete	31/12/2020	Enforcement Manager
9	Reconciliation's - Accounts Receivable and Refunds	Medium	No response	31/03/2021	Group Finance Manager - Core
10	Performance Monitoring - Debtor Indicators	Medium	Complete	31/12/2020	Enforcement Manager

- 1.7. This table shows that, although the agreed target dates have not yet been reached for any of the recommendations, progress has been made towards implementing five out of eight of them, with three already fully implemented. However, we did not receive any management feedback regarding progress of three of the recommendations.

**Table 2: Client contributions for care provision 2019/20 – Status of Management Action**

Rec No.	Recommendation Heading	Category	Status	Original Due Date	Owner
1	Carrying Out a Financial Assessment - Value of the Upper Capital Limit For Non-Residential Service Users	High	No response	30/09/2020	GFM – Community Services*
2	Carrying Out a Financial Assessment - Prior to the Start of Care and Charging Start Date	Medium	No response	31/12/2020	Adult Social Care Service Manager
4	Issuing of Invoices - Adjusting Invoice Amounts	High	Partly complete	31/07/2020	Income Team Leader
5	Issuing of Invoices – Changes in Financial Circumstances	High	Complete		
6	Issuing of Invoices – Adjusting Invoices for Service Breaks	Medium	No response	31/12/2020	Adult Social Care Service Manager
7	Issuing of Invoices – Reconciliation Between the Source Data and the General Ledger	Medium	No response	31/03/2021	GFM – Community Services*
8	Deferred Payment Agreements (DPAs) - Disposable Income Allowance and Invoicing on the Correct Account	High	Complete		
9	DPAs - Six-Monthly Written Statements and Interest	High	In progress	31/08/2020	Debt Collection Team Leader
10	DPAs - Calculation of Equity Limit and Monitoring of DPA Balances	Medium	In progress	31/08/2020	Debt Collection Team Leader
11	DPAs - Timely set-up of DPA	Medium	Complete	30/09/2020	Benefits Delivery Manager
12	DPAs - Administration Charges	Medium	Not progressed	31/08/2020	Debt Collection Team Leader

\*It is noted that GFM – Community Services has recently left the Council

- 1.8. This table shows that, although the agreed target dates have not yet been reached for three of the recommendations, progress has been made towards implementing six out of 11 of them, with three already fully implemented. However, we did not receive any management feedback regarding progress for four of the recommendations, one of which (Rec No 1) was High risk and already beyond the due date.
- 1.9. **Payments to Childcare Providers and Foster Carers for Looked After Children:** In the absence of the Director of Children’s Social Care, the Head of Corporate Parenting provided the following progress update: *“We are currently reviewing placements which will include a review of policies and procedures relating to payments and the process of chasing up signed agreements. The review will be completed by December. The report has been shared with Placement and Fostering. All officers have been reminded to save placement information records and placement authorisation in the relevant records on LCS (LiquidLogic Children’s Social Care system). We also have a tracker looking at placement costs and review dates.”*

## 2. Recommendations

- 2.1. It is recommended that the Audit Panel notes the progress reported by managers with implementing improvements to control arrangements for the service areas in scope.

## 3. Financial implications

- 3.1. There are no financial implications arising directly from this report.

## 4. Legal implications

4.1. There are no legal implications arising directly from this report.

## 5. Equalities implications

5.1. There are no equalities implications arising directly from this report.

## 6. Climate change and environmental implications

6.1. There are no climate change or environmental implications arising directly from this report.

## 7. Crime and disorder implications

7.1. There are no crime and disorder implications arising directly from this report.

## 8. Health and wellbeing implications

8.1. There are no health and wellbeing implications arising directly from this report.

## 9. Background papers

9.1. There are no background papers.

## 10. Glossary

Term	Definition
Assurance Opinion	An independent assessment on the controls in place.
Recommendation	A suggestion made by internal audit on how to improve controls.
Management Action	The actions that management have agreed to do to implement the recommendation made by internal audit.
Control	A process that is in place to facilitate achievement of an objective or to prevent or reduce a risk from occurring.

## 11. Report author and contact

11.1. If there are any queries on this report, please contact: Christine Webster, Interim Head of Internal Audit, on 020 8314 5617 or David Austin, Director of Corporate Resources, on 020 8314 9114, or email them at: [christine.webster@lewisham.gov.uk](mailto:christine.webster@lewisham.gov.uk) or [david.austin@lewisham.gov.uk](mailto:david.austin@lewisham.gov.uk).

## Appendix 1

# Accounts Receivable and Debt Recovery 19-20

## Final Report

## Corporate Services (COR)

### Overall Audit Opinion - Limited

	Process Areas	High	Medium	Low
●	1. Raising Invoices	-	2	1
▲	2. Debt Recovery	1	2	1
●	3. Write-Off's	-	1	-
▲	4. Reconciliations	1	-	-
●	5. Performance Monitoring	-	1	-
▲	6. Information Security and Business Continuity	-	-	-
*				
<b>Total</b>		<b>2</b>	<b>6</b>	<b>2</b>

\*There are three recommendations, (1 high and 2 medium) relating to the controls around Oracle Financial System. While they also relate to Account Receivable, they will only be formally reported and monitored in the Accounts Payable Audit.

**Key**    ★ Substantial    ● Satisfactory    ▲ Limited    ■ No Assurance

## 1. Introduction

The background for this internal audit and the service objectives were included in the Terms of Reference. Testing of write-offs, including review of the documentation and confirmation of authorisation could not be completed. This is due to Covid 19 lockdown restrictions which meant officers were not able to access the documentation kept in the office.

It is also noted that some of the debts within the sample had reached the stage where legal action or bailiffs could have been used (prior to COVID 19). However, none of these cases had been progressed to this level of recovery action, therefore controls around these processes have not been tested as part of this audit. It was stated by the Corporate Debt Collection Manager, Public Services this was due to a restructure of the team that started in April 2019, and is still on-going due to be finished in September 2020 when all posts should be filled.

The report has been given a limited opinion due to the following issues;

- Delays in recovery action including sending reminder letters within the required timeframes as per the Debtors Procedure Manual.
- The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed and authorised within a timely manner. There were also items of income that had not been cleared and on-going discrepancies that had not been resolved.

There were three findings raised in the Accounts Payable Audit relating to Oracle System Controls that are also relevant to Accounts Receivable. While they also relate to Account Receivable, they will only be formally reported and monitored in the Accounts Payable Audit. The findings were:

- It was not possible to run a report to show vacation rules in use and for how long they had been set. It was also found that when an officer uses the delegation rule they are able to delegate their authority to another user and further approval is not required.
- \*A report to help identify new user set-ups, amendments, such as additional roles or when a user is de-activated could not be produced in Oracle Cloud.
- \*The form used to set up new profiles and process amendments on Oracle Cloud had too many options to choose from and it might not be clear to officers which option relates to which role on Oracle Cloud. In addition, the form had not been completed for all amendments. Supporting procedures had also not been formally documented.

## 2. Assurance Opinion and Recommendations Made

Accounts Receivable and Debt Recovery 19-20 has an assurance rating of Limited.

The previous audit completed in 2018/19 had the assurance rating of Limited.

The number of recommendations made, listed by categories are listed below:

- 2 High recommendations, of these 2 were made in the previous report,
- 6 Medium Recommendations, of these 5 were made in the previous report, and
- 2 Low Recommendations.

## 3. Key Findings \*indicates reoccurring recommendation

- \*Debt recovery action including sending reminder letters was not done in a timely manner and further debt recovery action had not been done.
- \*The Accounts Receivable and Accounts Receivable Refunds Reconciliation had not always been completed promptly (within three weeks of month end) and had not always been authorised in a timely manner. Items on the Accounts Receivable Refunds reconciliation had not been resolved. There were discrepancies between the Accounts Receivable report and General Ledger report in the Accounts Receivable Reconciliation that were not resolved.
- \*Debtor KPIs were not being reported as part of the Corporate Services Performance Report.
- \*In one case the credit note request had not been processed in a timely manner. In one case the request had been processed without the request form completed. In two cases a reason for the credit note and a record of authorisation of the credit note was not recorded.
- \*In one case the invoice request had not been processed in a timely manner and time scales for processing invoice requests had not been agreed. There was also one invoice request form that had not been processed in a timely manner.
- \*Internal Audit requested evidence confirming authorisation for a sample of five write-offs. However, these were not kept electronically. Therefore, the documentation could not be provided Due to Covid 19 lockdown restrictions, and write off controls could not be fully reviewed.
- \*There were four debts where a default on an instalment arrangement had occurred and further investigation was needed but not actioned. In addition, the Financial Information Form had not been completed in one case where it was required.
- Out of a sample of five Housing Benefit Debt Recovery cases, it was found that two cases debt recovery action had not been taken. In one case this was due to an issue with the migration to ASH where a number of invoices had not been migrated.

#### **4. Areas that worked well**

- Invoices included the Councils options for payments printed on the back
  - Invoices had been authorised by appropriate officers in all cases
  - Once an invoice has been issue, it is not possible to amend or cancel an invoice. A credit note must be raised.
  - There was a Write-off Policy, and write-offs had been authorised by the appropriate person with documentation retained.

## Appendix 2

# Client Contributions for Care Provision 2019/20

## Final Report

## Corporate Services (COR)

### Overall Audit Opinion - Limited

	Process Areas	High	Medium	Low
★	7. Service Users' With Care Packages and Their Eligibility	0	0	0
●	8. Carrying Out Financial Assessments	1	1	1
▲	9. Issuing of Invoices	2	2	0
★	10. Annual Uplifts	0	0	0
▲	11. Deferred Payment Scheme (DPA) and Top-Up Payment Agreement	2	3	1
★	12. Information Security and Business Continuity Planning	0	0	0
	<b>Total</b>	<b>5</b>	<b>6</b>	<b>2</b>

**Key** ★ Substantial ● Satisfactory ▲ Limited ■ No Assurance

#### 1. Introduction

The background for this internal audit and the service objectives are included in the Terms of Reference.

#### Basis of Opinion

Audit testing has identified a number processes that puts at risk the service objective of issuing accurate and timely invoices to service users' for their assessed contribution towards their care and support charges. Due to this the audit has been given a Limited Assurance

opinion.

The process area that impacted upon the assurance opinion was issuing invoices to service users'. A review of invoices issued to 41 service users' identified nine were issued with inaccurate invoices. It was identified service users' were being both over charged (£48,771.47 in total) and under charged (£3,723.94 in total) for their contributions.

Audit testing also established inconsistencies in the value of the upper capital limit in the charging policy. In addition, financial assessments for non-residential service users' took place after they started receiving care.

## **2. Assurance Opinion and Recommendations Made**

Client Contribution for Care Provision 2019/20 has an assurance rating of Limited.

The previous audit completed in 2018/19 had the assurance rating of Limited.

The number of recommendations made, listed by categories are listed below:

5 High recommendations (of these 2 were raised in the previous audit report),

6 Medium Recommendations (of these 3 were raised in the previous audit report), and

2 Low Recommendations.

## **3. Key Findings \*indicates reoccurring recommendation**

- \* A review of the invoices issued to 41 service users' identified seven instances where the amount invoiced to the service user did not agree to their financial assessment. Due to a change in the service users' package of care, six clients were over charged a total of £14,517.62 and three clients were under charged a total of £3,723.94.
- \* For two out of three Deferred Payment Agreement (DPA) service users' tested, interest on deferred charges was not being applied. In addition, DPA service users' are not being sent six-monthly statements, as required by the Care Act statutory guidance.
- Due to miscommunication between different service teams within the Council, it was identified two service users' were over charged £34,253.85 for contributions towards their care and support costs.
- A review of three Deferred Payment Agreements (DPA's) identified one service user was not provided with a disposable income allowance of £144 per week, as required by the Care Act statutory guidance. In addition, the same service user was incorrectly sent an invoice of £9,350 for immediate payment instead of being debited to their DPA account and deferred until the termination of the deferred payment agreement.
- A review of the Adult Social Care Charging and Financial Assessment Framework identified inconsistencies in the value of the upper capital limit.
- \* A review of three Deferred Payment Agreements (DPA's) identified none of the three were charged an administration charge. In addition, a review of one ended DPA identified the service user was not charged a termination fee. In total, the lost income to the Council from these service users' was £1,225.
- \* For three Deferred Payment Agreements (DPA's) tested, it was identified that two did not have an equity limit calculated. In addition, evidence was not provided that an officer of the Council was regularly monitoring the amount of charges accrued on DPA accounts

to identify when service users' are approaching 70% of their property value or equity limit, as required by the Care Act statutory guidance.

- \* Testing of 23 new service users' identified 10 non-residential and three residential service users' financial assessments were not carried out prior to the start of the service user's package of care. In addition, it was identified for four service users' they were not charged from the first date they received care from the Council. The loss of income to the Council was £6,802.50.
- A review of five non-residential service users' that are paying the full cost of their care identified three that did not have an adjustment on their invoices for service breaks.
- A review of three Deferred Payment Agreements (DPA's) identified one was not set up within 12 weeks of receiving the completed and signed DPA application form, as recommended by the Care Act statutory guidance. The length of time to set up the DPA was 116 weeks. At this point, the service user had accrued charges of £83,603.07 without adequate security being put in place.
- It was identified that client contributions are not exported from ContrOCC (Adult social care finance system). Therefore, it is not possible for the Finance Team to perform a reconciliation between the assessed contribution data on ContrOCC to the general ledger.

#### **4. Areas that worked well**

- A review of LAS records for 25 service users' with an active package of care on LAS and no financial assessment identified all 25 service users' were exempt from charging.
- A review of 36 financial assessments identified for all 36 assessments that relevant financial information such as benefits, occupational pension, property ownership, disability related expenditure, other expenses etc. was obtained. It was confirmed for each assessment tested, the data entered agreed to the source documents.
- Testing of 24 periodic invoice request forms and 18 one off invoice request forms sent to the Income and Payment Team identified the amount invoiced to the service user agreed to the request form and data on ContrOCC.
- It was confirmed that an annual uplift was carried out for the financial year 2019/20.
- It was confirmed for all Deferred Payment Agreements tested that a written contract was in place which was signed both the service user or their power of attorney and an officer of the Council. In addition, it was verified that a legal charge was placed on the service user's property as security for the deferred charges.
- It was confirmed a documented business continuity plan is in place for the Benefits service. The plan was recently reviewed on the 31/10/19.

## Appendix 3

# Payments to Childcare Providers and Foster Carers for Looked After Children – 2019/20

## Final Report

## Children and Young People (CYP)

Overall Opinion – Unable to Provide an Opinion.

	Process Areas	High	Medium	Low
▲	1. Assessments and Placement	2	1	-
	2. Payments to Residential and Semi-Residential Care Providers	-	-	-
	3. Payments to In-House Foster Carers and Independent Fostering Agency's	-	-	-
	4. Budgetary Control	-	-	-
●	5. Information Security	-	-	-
	<b>Total</b>	<b>2</b>	<b>1</b>	<b>0</b>

**Key**    ★ Substantial    ● Satisfactory    ▲ Limited    ■ No Assurance

## 1. Introduction

The background for this internal audit was included in the Terms of Reference.

This audit was conducted remotely in order to comply with Government lockdown directives. Confirmation of controls in place was established through telephone, email and virtual communications. Compliance testing was expected to be achieved through Council staff providing documentation in respect specific samples as requested.

## 2. Assurance Opinion and Recommendations Made

The previous audit completed in 2018/19 had the assurance rating of Limited.

Internal audit have not been able to express an assurance opinion in this audit as we have not been able to obtain sufficient evidence to provide a basis for an audit opinion.

The key controls have been confirmed with management, however, internal audit have been unable to obtain evidence and/or perform testing to confirm the effectiveness of all controls. The work we have not been able to conduct, and the reasons, is detailed below.

**Payments to Residential and Semi-Residential Care Providers** - Other than the payment exception report that was received on 30<sup>th</sup> July 2020, no other information has been provided. No controls testing has therefore been completed in this area.

**Payments to In-House Foster Carers and Independent Fostering Agencies** - Information has been requested but not provided, therefore controls testing has not been performed.

**Budgetary Control** - Information has been requested but not provided, controls testing has not been undertaken.

**Information Security** – Access control to the Liquidlogic Children's Social Care (LCS) and ECM systems was confirmed and tested but we have not received the requested report of staff who have completed the Council's mandatory data protection course in order to confirm the training has been completed by all relevant staff.

Based on the work we have been able to complete, the number of recommendations made, listed by categories are listed below:

- 2 High Recommendations (one reoccurring)
- 1 Medium Recommendations;
- 0 Low Recommendations

## 3. Key Findings \*indicates recurring recommendation

- Documented procedures for placement and procurement processes were not in place.
- \* Sample testing of 20 placements identified three instances where the Placement Information Record (PIR) could not be found in the LCS and five instances where the placement authorisation was not recorded in LCS; and
- Sample testing of 20 placements identified sixteen instances where a Placement Plan (PP) or Individual Placement Contract (IPC) had not been signed by the provider.

#### **4. Areas that worked well**

- A Placement Tracker was being used to monitor placement activity and track expenditure made for weekly placement cost. The tracker was being constantly checked for errors and updated each week by Placement Contract Manager and Business Support Team.
- Child Social Care (CSC) managers completed and authorised Access Request forms for the creation within the LCS system of a new starter. Periodic active user review for LCS was carried out by the Business Support Team and managers to ensure the access of leavers and movers is removed from the system.

### Explanations for Audit Assurance Opinions

Where internal audit reviews are given an overall assurance opinion, this is based on the fieldwork conducted to assess the standard of governance, risk management or internal control. The following table explains these opinions.

Assurance Opinion	Definition
★ Substantial	A strong framework of controls is in place to ensure that the service area is likely to meet its objectives. In addition, the controls in place are continuously applied or with only minor lapses.
● Satisfactory	A sufficient framework of controls is in place, but could be stronger to improve the likelihood of the service area achieving its objectives. The controls in place are regularly applied, but with some lapses.
▲ Limited	There are gaps in the control framework in place. This increases the likelihood of the service area not achieving its objectives. Where controls do exist, they are not always applied.
■ No Assurance	There is no framework of controls in place. This substantially increases the likelihood that the service area will not achieve its objectives. Where controls do exist, they are not applied.

### Definitions of Finding Categories

Internal audit rates each finding as High, Medium or Low. This rating reflects the risk exposure for the service area and indicates the importance of implementing the recommendation.

Rating	Definition
High	It is crucial that this recommendation is implemented as soon as possible. This will ensure that the service area will significantly reduce the risk of not meeting its objectives.
Medium	Implementation of this recommendation should be done as soon as possible, to improve the likelihood of the service area meeting its objective.
Low	Implementation of this recommendation would enhance control or improve operational efficiency.