

Direct Payments Update Report

Summary

- 1 This report provides an update on action taken by officers to address weaknesses identified in monitoring direct payments during a 2011/12 audit. It follows a previous update provided to members in September 2012 that reported further action was still needed to adequately address these weaknesses.

Background

- 2 As part of the 2011/12 internal audit review of personalisation and direct payments, significant weaknesses in monitoring direct payments usage were identified. As a result, the service agreed action to introduce new monitoring procedures from April 2012 and conduct a review of these processes in October 2012.
- 3 At the meeting of this committee in September 2012 an update on progress made to address these weaknesses was provided and it was advised that further follow up work would take place to continue to monitor progress. This report is based on a review of progress by internal audit in July 2013.

Findings

- 4 City of York Council currently has 204 customers who receive direct payments. For 56 of these, the council pays the money directly into the customer's bank account. In the remaining 148 cases, the council pays the money to the Independent Living Scheme (ILS) who administer accounts for customers, and provide support for customers employing personal assistants.

- 5 In the original 2011/12 audit it was found that there were no formalised procedures for:
- requesting monitoring information on a periodic basis
 - obtaining monitoring information from the ILS for customers they supported
 - monitoring returns and chasing information, and
 - taking appropriate action where payments were not used in line with expectations (including funds not being used and excessive bank balances accruing).
- 6 As a result, there were increased risks that customers would not receive the care they required, that any misuse of funds would not be detected, and that unused funds may not be recovered¹. To address these risks, a number of actions were agreed, including:
- New monitoring arrangements would be put in place from April 2012. Information from directly paid customers would be requested quarterly and the ILS would be asked to provide information on a six monthly basis for the customers they support.
 - A review of the new systems and processes would be undertaken by the service in October 2012, to identify areas requiring further development.
- 7 In September 2012, the progress made in implementing these actions was followed up by internal audit. It was found that:
- Monitoring arrangements had been put in place to request information from directly paid customers each quarter.
 - It was agreed that the ILS would provide information on a 6 monthly basis.
 - Despite some improvements to procedures it was found that no chasing was being done for information that had not been returned by customers and that insufficient reviews were being undertaken of whether or not direct payments were being spent as agreed.

¹ As a guideline, the department will consider a balance of greater than eight weeks worth of payments for recovery, though this is dependent on individual circumstances.

Internal audit provided feedback on areas for improvement and agreed that further work would be undertaken with the service.

Progress update - Monitoring of directly paid customers

- 8 Requests for monitoring information for direct payments have continued to be sent to customers each quarter since April 2012.
- 9 As at July 2013, monitoring information has been received, on average, for 66% of customers each quarter. Only 15 of the 56 customers have returned information for every quarter and 12 of the 56 customers have never returned any monitoring information.
- 10 £6,800 has been identified as surplus funds to be repaid by 5 customers. Letters have been sent to these customers and, as at July 2013, £2,400 of this surplus has been received back from 2 of those customers.
- 11 Internal audit also provided feedback on the spreadsheet being used to manage requests for and receipt of monitoring information. Whilst some improvements have been made to this monitoring record it still does not enable easy analysis or follow up of the information.
- 12 The service is still failing to chase information where it is not returned for any particular period. This appears to be at least in part due to resource constraints.
- 13 In addition, where customers have returned monitoring information this is often just in summary form and does not include original documents (i.e. bank statements or invoices) to enable a reliable assessment of whether direct payments are being used appropriately and in accordance with the agreed support plan.

Progress update - monitoring of Independent Living Scheme (ILS) customers

- 14 The ILS provided six monthly monitoring data for 145 of the 148 customers it supports, in May 2013. This identified a surplus of £56,000 in 35 customers' accounts. The council has written to these customers and, as at July 2013, has received nearly £44,000 in returned funds, from 28 customers.

- 15 The council does not receive primary evidence for these customers. However, as the ILS maintains an account and pays invoices for these customers they are inherently at less risk of misuse or fraud.

Planned changes to Direct Payments

- 16 The service reviewed the direct payments monitoring processes as agreed in the 2011/12 audit. Following this review it was decided that the administration and monitoring of direct payments would be greatly improved by the use of pre-paid cards.
- 17 In addition to other potential benefits including a reduced administrative burden for customers, pre-paid cards enable improved internal control by providing:
- The ability to monitor account activity without the need for paper returns by the customer;
 - detailed information on how funds are being spent and the ability to intervene quickly;
 - the ability to adjust payments and reclaim funds directly from the card.
- 18 The service decided to issue pre-paid cards for all new direct payments customers from April 2013. However, there has been a slow uptake of this and as at July 2013 there was only one direct payments customer receiving their direct payment by pre-paid card.
- 19 The service also plans to transfer all current directly paid customers to pre-paid cards. This has been agreed by the directorate management team and discussed with the cabinet member for Health, Housing and Adult Social Services. The service plans to consult with customers throughout August and make a formal decision by mid-September 2013. From the end of September a formal process is intended to be in place to transfer all existing directly paid customers to pre-paid cards.
- 20 In addition, the review determined that it would be more appropriate for the administration and monitoring of direct payments to be carried out by the customer accounts team rather than the social care administration officers. This would

better align the processes with officers who are more experienced, skilled and focussed on financial management.

- 21 The customer accounts team has been working with the adult social care administration officer on the monitoring and return of surplus direct payments money but the arrangements have not yet been made to transfer the ongoing monitoring of direct payments to the customer accounts team.
- 22 From September 2013 it is planned that the resources will be made available to the customer accounts team to enable them to carry out this work.

Conclusions

- 23 The service has made some progress in improving the monitoring of direct payments. However, there still remain significant weaknesses with the current system.
- 24 Plans to issue pre-paid cards to direct payments customers and transfer responsibility for the monitoring of direct payments and their use to the customer accounts should facilitate the necessary improvements in control. However, progress in implementing these changes has been slow.
- 25 The planned timescales for implementing these changes should mean these weaknesses are addressed soon but the process of transferring customers to pre-paid cards will not be achieved immediately and without clear guidance to customers and continued effort from the service.
- 26 While the weaknesses in the system have not yet been fully addressed, there are now specific agreed actions with short agreed timescales and senior management support that give assurance that the risks should be effectively addressed in the near future. Internal audit will complete a full audit of direct payments in November 2013 and will include a review of the progress made in implementing these changes.

Consultation

- 27 Not relevant for the purpose of the report.

Options

- 28 Not relevant for the purpose of the report.

Analysis

29 Not relevant for the purpose of the report.

Council Plan

30 The work of internal audit helps to support overall aims and priorities by promoting probity, integrity and accountability and by helping to make the council a more effective organisation.

Implications

31 There are no implications to this report in relation to:

- **Finance**
- **Human Resources (HR)**
- **Equalities**
- **Legal**
- **Crime and Disorder**
- **Information Technology (IT)**
- **Property**

Risk Management Assessment

32 The Council will fail to properly comply with the CIPFA Code of Practice for Internal Audit in Local Government if it fails to follow up on audit recommendations and report progress to the appropriate officers and members.

Recommendations

33 Members are asked to:

(a) note the progress made to date to implement actions agreed following the audit of personalisation and direct payments in 2011/12.

Reason

To enable members to fulfil their role in providing independent assurance on the council's control environment.

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Report
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Specialist Implications Officers

Not applicable

Wards Affected: Not applicable

All



For further information please contact the author of the report

Background Papers

2011/12 internal audit report on personalisation and direct payments
Direct Payments Update Report, 27 September 2012.

Annexes

None