

<b>DECISION-MAKER:</b>	<b>GOVERNANCE COMMITTEE</b>		
<b>SUBJECT:</b>	<b>DIRECT PAYMENTS</b>		
<b>DATE OF DECISION:</b>	<b>24 JULY 2017</b>		
<b>REPORT OF:</b>	<b>SERVICE DIRECTOR, ADULTS, HOUSING AND COMMUNITIES</b>		
<b><u>CONTACT DETAILS</u></b>			
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<b>STATEMENT OF CONFIDENTIALITY</b>	
<b>NOT APPLICABLE</b>	
<b>BRIEF SUMMARY</b>	
This report outlines the actions being taken to address concerns raised in the internal audit review of direct payments, which gave an opinion of 'no assurance'.	
<b>RECOMMENDATIONS:</b>	
(i)	To note the actions being taken to address concerns raised in the internal audit report of direct payments, issued on 14 June 2017.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	The Governance Committee requested an update following its consideration of the Annual Audit Report and Opinion 2016/17 on 12 June 2017.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
2.	No other options have been considered and rejected.
<b>DETAIL (Including consultation carried out)</b>	
3.	Direct payments are given to adults with care and support needs to enable them to arrange and pay for their own care, rather than this being arranged on their behalf by the council. This leads to more choice and control for individuals, improved outcomes and can support independence. The amount of money paid depends on the needs identified following a social care assessment carried out under the Care Act 2014 and a financial means test.
4.	The internal audit review of direct payments was carried out to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives: <ul style="list-style-type: none"> <li>• There are comprehensive and up to date policies and procedures for staff to ensure that the direct payments process is completed correctly and responsibilities are clearly defined;</li> <li>• The direct payments process is followed and records are held for each stage on the social care electronic case management system;</li> <li>• Clients are made aware of how to manage direct payments and</li> </ul>

	<p>offered support where applicable;</p> <ul style="list-style-type: none"> <li>• Clients' needs and direct payments are regularly reviewed to ensure that the payment remains appropriate and is being used in line with departmental procedures.</li> </ul>
5.	<p>The 2016/17 Annual Audit Report highlighted the following significant concerns across the breath of the direct payments process:</p> <ul style="list-style-type: none"> <li>• For more than half of the records sampled no direct payment agreement had been signed by the 'client' or 'suitable person' or recorded on the social care case management system;</li> <li>• Where a 'suitable person' was managing a direct payment, there was no evidence to support that all within the sample tested had been assessed as appropriate and approved to manage the direct payment on behalf of the client;</li> <li>• Care managers were not carrying out regular reviews to establish whether the needs of the client had changed and the direct payment remained appropriate. Of those tested over half had not received a regular annual review. Additionally there was no evidence for over half of the clients sampled that integrity checks had been undertaken on their bank account and supporting paperwork;</li> <li>• There was no information recorded for 66% of direct payments reviewed to confirm they had been audited by the Payments Team (eight of which were higher value payments (over £350 p/w). There was no record of clients who had been issued an audit letter or a response rate;</li> <li>• A new interface between the social care and financial management systems, to make direct payments to clients, had been introduced during the year. Testing of the direct payment actually paid to the client against the amount recorded in the social care system did not agree for 50% of records tested. Variances were also found in the amount of the client contribution recorded and the amount deducted;</li> <li>• From sample testing two overpayments were made to clients in January 2017 (in excess of £30k and £1k respectively) where clients had been paid at a daily rate instead of a monthly rate. The overpayments were repeated in February despite being highlighted in January;</li> <li>• Key policy and guidance documentation is overdue for review;</li> <li>• As a more general observation documentation was not consistently or comprehensively recorded or was not always easy to locate. This was previously raised as an issue in the 2015/16 annual report and opinion.</li> </ul>
6.	<p>The final internal audit report, incorporating the management action plan, was issued on 12 June 2017. Prior to the report being finalised, the action plan was reviewed by the council's Senior Leadership Team, which is chaired by the Chief Executive. The management action plan contains 43 actions, with a focus on effective leadership and robust governance. The auditor's assessment of the management response was that, once implemented, the actions would help to mitigate future risk. 32 of the 43 actions have been completed and none of the actions are overdue.</p>
7.	<p>The Service Director, Adults, Housing and Communities has been identified as the Council Management Team (CMT) sponsor and is accountable for delivering the management action plan, leading improvements in the end to end customer journey and ensuring compliance.</p>

8.	The direct payments process is currently subject to an 'intensive care' procedure (Recovery Board) to support rapid improvement, with monthly meetings chaired by the Chief Executive.
9.	The Organisational Design Board has approved additional staff (8 FTE) and a structure that will ensure necessary staff resources are in place to deliver the management action plan (this meets the criteria for being funded by additional adult social care grant, subject to approval by Full Council on 19 July 2017). The additional staff include a dedicated Senior Social Work Practitioner (1 FTE) who has been seconded to lead the work of a new direct payments team and recruitment to additional posts in the Accounts Payable Team (1.5 FTE) has commenced.
10.	The management action plan aligns with the work to reduce the backlog of adult social care reviews, which is now being done by a dedicated in house team and will ensure that timely reviews of care needs and direct payments are carried out.
11.	The council has procured and is implementing a new payment card system for direct payments provided by Allpay, which provides complete transparency over how payments are being used and facilitates effective audit of individual customer accounts (the highest performing councils use this approach to administer direct payments).
12.	New processes are now in place, which have resolved issues that had been identified with the interface between the council's electronic adult social care and financial management systems. Revised procedures are also being implemented to reduce, monitor and recover any overpayments and to ensure accurate recording.
13.	The council has implemented a new accredited learning and development programme for social workers and care managers, the Southampton City Council Certificate in Adult Social Work Practice. All relevant staff will complete the mandatory direct payments module by 30 September 2017.
14.	Liaison has taken place with the new Internal Audit service to ensure effective transition to new audit arrangements and to agree date of next audit in order to demonstrate assurance in the framework of control and that risks are being appropriately mitigated following implementation of this action plan. The new audit will take place later in 2017/18 once the new direct payments team, systems, processes and procedures are in place and fully embedded.
15.	A dedicated audit resource from the council's new Internal Audit service will support the project team and provide regular position updates to the Senior Leadership Team and Recovery Board, making use of a new data analytics system (IDEA).

## **RESOURCE IMPLICATIONS**

### **Capital/Revenue**

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| 16. | Subject to approval at Full Council on 19 July 2017, an additional £350,000 has been identified to establish a dedicated direct payments team, which will support delivery of the management action plan. This will be funded during 2017/18 by a Government grant. |
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### **Property/Other**

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| 17. | There are no property or other resource implications arising from this report. |
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<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
18.	The Accounts and Audit (England) Regulations 2015 state ‘a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance’.
19.	The Care Act 2014 and associated regulations set out the legal basis for assessing and reviewing eligible social care needs and making direct payments.
<b><u>Other Legal Implications:</u></b>	
20.	There are no other legal implications arising from this report.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
21.	The overall opinion of the review based on the audit evidence obtained, is that no assurance can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives. An opinion of ‘no assurance’ arises from a fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks to the achievement of system objectives. The actions contained in the management report will, once implemented, mitigate the risk.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
22.	Administering direct payments supports delivery of the Southampton City Council Strategy 2016-2020 and, in particular, the key outcome of supporting people in Southampton to live safe, healthy and independent lives. This also supports delivery of the Health and Wellbeing Strategy 2017-2025 and the Southampton Better Care Plan.

<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	<b>ALL</b>
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	None

**Documents In Members’ Rooms**

1.	None
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**Equality Impact Assessment**

<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>Yes/No</b>
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**Privacy Impact Assessment**

<b>Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.</b>	<b>Yes/No</b>
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**Other Background Documents****Other Background documents available for inspection at: Civic Centre,  
Southampton, SO14 7LY**

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
<b>1.</b>	Final internal audit report – direct payments 2016/17 (issued 12 June 2017)
<b>2.</b>	Annual internal audit report and opinion 2016/17 (May 2017)