



**INTERNAL AUDIT FINAL REPORT
PEOPLE/CHIEF EXECUTIVES DEPARTMENT**

PRE-PAID CARDS (Children's)

Issued to:

- Interim Director of Adult Services**
- Assistant Director of Integrated Commissioning**
- Head of Service Community Living Commissioning**
- Senior Commissioning Officer**

- Director of Children's Services**
- Assistant Director, Children's Social Care**
- Assistant Director, Children's Social Care**
- Head of Service (CLA and Care Leavers)**
- Head of Service Referral and Assessment**
- Head of Permanency Service and DCT**
- Group Manager Leaving Care**
- Group Manager Specialist Support and Disabilities**
- Head of Service 0-25 Service, Children and Young People with Disabilities**
- Assistant Director, Exchequer Services**

Prepared by: **Principal Auditor**

Reviewed by: Head of Audit and Assurance

Date of Issue: 09 January 2023

Report No.: PEO/04/2021

REVIEW OF PRE-PAID CARDS (Children's)

INTRODUCTION

1. This report sets out the results of our audit of the pre-paid cards within Children's Services. The audit was carried out as part of the work specified in the 2020-21 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The pre-paid cards solution for Bromley council is provided by a contractor. The prepaid cards contract aims to support the expansion of the use of direct payments to increased number of clients accessing community support to respond to their assessed needs, improving how money is disbursed to young people in Leaving Care and more effective management of money for people with no recourse to public funds.
3. We would like to thank everyone contacted during this review for their help and co-operation.

AUDIT SCOPE

4. The original scope of the audit was outlined in the Terms of Reference issued on 14/03/2022.
5. We identified the following key risks:
 - The pre-paid card contract and specification do not align to the London Borough of Bromley's service needs or are not an effective means of service delivery
 - Funds are loaded incorrectly, leading to overpayments or service users unable to pay for their care or other needs
 - Cards are used fraudulently, or funds are spent inappropriately

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AUDIT OPINION

6. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Reasonable Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	5	0

SUMMARY OF FINDINGS

7. We observed some areas of good practice and sound controls:

- The contract is a comprehensive document that clearly sets out Council/provider roles and responsibilities together with service requirements in a logical order.
- Quarterly Prepaid Card Programme Contract Monitoring Meetings are held with the contractor. The meetings are attended by the LBB contract owner, Senior commissioner and Head of Strategy and Performance Adult services and contractor representative. An agenda and the Prepaid Card KPI Pack produced by the contractor is circulated prior to the contract monitoring meeting and minutes of these meeting are retained.

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- To ensure that access rights to the prepaid card portal is adequately controlled we requested a report of all users with access to portal to review that access rights correspond with officers' roles and responsibilities and access is removed promptly when officers leave. Access rights of officers responsible for setting up, authorising, and allocating the cards in audit sample for the Leaving Care, Children with Disability and NRPF team were checked and found to be satisfactory to their roles and responsibilities. No cases of officers not being removed after they have left LBB were noted.

8. Our review highlighted the following areas for further development:

- 3 of 11 KPIs relate to clients and their card transactional activities. This information is available within the contractor's portal and should be reviewed by the service teams. No evidence of service teams reviewing these KPIs was seen.
- Once an officer is set up on the contractor's portal, there is no process to periodically review their roles, responsibilities, and access rights to ensure that their level of access corresponds to their role within the process and any access accounts that are no longer required are deactivated.
- The documented pre-paid card process for each of the three services using the cards was missing some key elements of the process, these have been explained in the detailed findings below.
- The monitoring of expenditure for Direct Payment cards for both children services and adult services has been paused. It was noted that the Exchequer team has not communicated this change to the Direct Payment teams.
- The contractual obligation to complete necessary checks on clients before requesting a prepaid card are not evidenced by NRPF team.
- Whist reviewing a sample of invoices for the contractor, their payment date could not be confirmed on the Financial system. The senior commissioner who is responsible for reviewing invoices said that there has been ongoing delay in payments since moving to the Financial system and the contractor has been chasing outstanding payments.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

1. Performance management	
<p><u>Finding</u></p> <p>Quarterly Prepaid Card Programme Contract Monitoring Meeting are held with the contractor. The meetings are attended by the contract owner, Senior commissioner and Head of Strategy and Performance Adult services. An agenda and the Prepaid Card KPI pack produced by the contractor is circulated prior to the contract monitoring meeting.</p> <p>We compared the KPIs in the contract to the information provided by the contractor in their KPI pack for Q1, Q2, Q3 and Q4 of 2021-22. The KPI packs did not include sufficient information to support 3 of 11 KPIs. On enquiry the contractor advised that these 3 KPIs relate to individual client's and their card transactional activities, scheme budgets and care package allowances. The contractor does not access this data in line with General Data Protection Regulation (GDPR) however the required information is available within the contractor's portal and LBB officers can check if the KPIs are met.</p> <p>The Senior Commissioning Officer further advised that the 3 KPIs not included in the KPI pack relate to automatic functions that are set up on the online portal and are actioned the moment LBB officer makes the request. The commissioning officers already generate reports that check on these activities collectively however no evidence of these KPIs being reviewed by the service teams was evidenced.</p> <p><u>Risk</u></p> <p>Key performance indicators to assess the achievement of contract objectives are not tracked as the required data is not available which impacts on the ability to adequately performance measure the contract delivery. Deficiencies in performance may not be identified or addressed.</p>	
<p><u>Recommendation</u></p> <p>KPIs relating to individual client transactions should be reviewed by the service teams before the Quarterly Prepaid Card Programme Contract Monitoring Meeting to ensure issues can be discussed and resolved with the contractor.</p> <p>Going forward management should consider and agree information required and responsibility for performance monitoring at the time of contract negotiations.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 5px; text-align: center; width: fit-content; margin: 10px auto;"> Priority 2 </div>

DETAILED FINDINGS AND ACTION PLAN

REDACTED
APPENDIX A

<u>Management Response and Accountable Manager</u>	<u>Agreed timescale</u>
<p>To link in with above standard, to periodically review the access rights of officers. An immediate review of access rights will be actioned.</p>	January 2023
<p>Accountable Manager: Head of Service 0-25 Service, Children and Young People with Disabilities</p>	
<p>Dedicated IT support has been agreed between the commissioning team and the Councils IT contractor systems support. They are in the process of finalising the specific tasks and functions that they are going to support and associated costs.</p>	February 2023
<p>Accountable Manager: Senior Commissioning Officer</p>	

3. Procedure notes

Finding

We reviewed the procedures for setting up, authorising, and allocating cards for the Leaving Care and Children with Disability teams. The procedure note for NRPF was not provided and hence could not be reviewed. The Head of Service Referral and Assessment responsible for NRPF advised that their procedure note is being updated and hence they did not provide it for review.

The procedures for the Leaving Care team and Children with Disability team did not cover how the receipt of the prepaid card by the cardholder will be acknowledged, particularly the ones sent out via post. Funds should only be loaded onto the pre-paid card once the receipt of the card is confirmed by the service user. They have also not been reviewed and updated to reflect the changes to the process since the pandemic and move to the care management system.

Risk

Lack of clear guidance leading to poor governance and use of prepaid cards.

DETAILED FINDINGS AND ACTION PLAN

**REDACTED
APPENDIX A**

<u>Recommendation</u>	<u>Rating</u>
<p>Procedures for the governance and use of prepaid cards should be updated to reflect any changes to the process since the pandemic and move to the care management system. They should be made available to the respective services teams. The procedure note should include the name of the owner, published date and review date.</p>	<p style="text-align: center;">Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>To link with children and adult colleagues to review the procedure reflects the change to the care management system. We understand an activation process is required which would ensure no fraudulent activity can take place.</p> <p>Accountable Manager: Head of Service 0-25 Service, Children and Young People with Disabilities</p> <p>NRPF updated procedures will be completed by the 27/01/23. This will incorporate management authorisation for issuing a card and will also incorporate where in the care management system this will be recorded.</p> <p>Accountable Manager: Head of Service, Children Services</p> <p>Finance officers are very clear that they do not load money on to cards until they have received notification from the worker that the card has been received by the young person. This has been done via email and not hitherto recorded. Moving forwards the email communication will be saved with the card details for audit purposes. The finance officer will implement this process.</p> <p>Accountable Manager: Head of Service Children Looked After & Care Leavers</p>	<p><u>Agreed timescale</u></p> <p>End of January 2023</p> <p>End of January 2023</p> <p>Completed 01/12/2022</p>

DETAILED FINDINGS AND ACTION PLAN

**REDACTED
APPENDIX A**

4. Monitoring of expenditure on prepaid card	
<p><u>Finding</u></p> <p>We tested for sampled prepaid cards that the purchases were made for agreed purposes and adequate monitoring was being done by the service. There is no requirement for expenditure monitoring for Leaving Care and NRPF cards.</p> <p>Monitoring of expenditure for Direct Payment cards for both children’s and adults services and should be completed by the Exchequer Services contractor. On enquiry we were informed by the Exchequer Services contractor’s Service Delivery Manager that direct payment monitoring has not been undertaken as payment processing and query resolutions has taken priority over all monitoring. The Contract and Operations Manager (Exchequer) confirmed that the monitoring has been paused. We discussed this with the Interim Group Manager who was not aware that the monitoring has been paused. She stated that there has been no communication from the Exchequer team on the matter.</p> <p>Sample testing of pre-paid cards for Children with Disabilities did evidence some cash withdrawals and, without further monitoring or receipts, we are unable to provide assurance that this money was spent in accordance with its intended purpose.</p> <p><u>Risk</u></p> <p>Loss of funds due to fraud.</p>	
<p><u>Recommendation</u></p> <p>Management should ensure that the monitoring for both children’s and adults services receiving direct payments is undertaken to ensure funds are being spent on the assessed needs of the direct payment client. Whilst The Exchequer Services contractor are unable to do it, the service should agree and implement an interim approach.</p>	<p><u>Rating</u></p> <div style="border: 1px solid black; background-color: yellow; padding: 2px; text-align: center;">Priority 2</div>
<p><u>Management Response and Accountable Manager</u></p> <p>To discuss with contract holder, how this can be managed going forward.</p> <p>Accountable Manager: Head of Service 0-25 Service, Children and Young People with Disabilities</p>	<p><u>Agreed timescale</u></p> <p>January 2023</p>

DETAILED FINDINGS AND ACTION PLAN

<p>The Pandemic and subsequent issues caused by the implementation of the case management system and financial modules meant that the monitoring had to be paused. This will be recommenced in January 2023 (16/1/2023) for both children and adult services.</p> <p>Accountable Manager: Assistant Director, Exchequer Services/Service Delivery Director (The Exchequer Services contractor)</p>	<p>January 2023</p>
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5. Completion and retention of documents

<p><u>Finding</u></p> <p>As part of the set-up process for prepaid cards, it is a contract requirement that a ‘Know Your Customer’ (KYC) form is completed by the client. As part of testing, the KYC form could not be located for the two sampled prepaid cards issued to NRPF client. The completion of contractual obligation to do necessary checks on client before requesting a prepaid card was therefore not evidenced.</p> <p><u>Risk</u></p> <p>Loss of funds due to fraud.</p>	
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<p><u>Recommendation</u></p> <p>Management should ensure that the documents to confirm a client’s identity are duly completed and retained.</p>	<p><u>Rating</u></p> <p style="text-align: center;">Priority 2</p>
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<p><u>Management Response and Accountable Manager</u></p> <p>This action has been completed. We have reviewed the “Know Your Customer” form and confirm there is a specific section for NRPF families. This form has been retrospectively completed on all open NRPF cases (where they have not been completed) and new forms will be completed at the point of new cards being issued. Cards will not be issued without a completed form.</p> <p>Accountable Manager: Head of Service, Children Services</p>	<p><u>Agreed timescale</u></p> <p>Completed.</p>
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Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.