



**CROYDON**

# Final Internal Audit Report

## Care Market Failure

### December 2019

**Distribution:** Executive Director of Resources and Monitoring Officer (Final only)  
Executive Director Health, Wellbeing and Adults (Final only)  
Director of Commissioning and Procurement  
Head of Commissioning and Procurement, Adult Health and Integration

Assurance Level	Identified Issues	
Limited Assurance	Priority 1	2
	Priority 2	7
	Priority 3	1

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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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## Executive Summary

### 1. Introduction

- 1.1 The presentation 'Adult Social Care Market in Croydon' to General Purposes and Audit Committee in December 2018, highlighted the gap between funding and demand and how this is expected to grow, the fragility of the care market and contributory factors.
- 1.2 As of December 2018, the national funding gap was estimated to be £2.5bn with demand increasing and chronic shortage of care worker staff. By 2035 it is estimated that an additional 20% of over 85s will require round the clock care.
- 1.3 Croydon has been the largest social care market in London with 134 care homes and more than 60 domiciliary care agencies in borough. Croydon provides 1.4 million hours of home care annually. The unit costs for older people care homes have been benchmarked as lower than average, but the Council pays some of the highest fees for under 65s.
- 1.4 The audit focused on the processes in place in the event of care market failure.
- 1.5 Reference was made to the peer review of Croydon's care market carried out in 2018 and any actions flowing from this.
- 1.6 The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

### 2. Key Issues

#### Priority 1 Issue

Formal contracts were not available for care home providers, although it was explained that a Dynamic Purchasing System was being established, which is anticipated will start from April 2020, **(Issue 7)**.

The spreadsheet used to monitor quality monitoring visits showed that about 70 out of 134 care homes were overdue a monitoring visit, **(Issue 9)**.

#### Priority 2 Issues

The 'Quality Monitoring Checklists' used when inspecting homes, while incorporating a number of health and safety checks, did not assess all relevant aspects of health and Safety, **(Issue 1)**.

Copies of business continuity plans were not held for two of the sample of five care home providers selected, **(Issue 2)**.

Financial health checks were carried out on an ad hoc basis and only for selected providers, **(Issue 3)**.

Financial information and advice to service users in line with the requirements of the Care Act 2014 section 4 (1) was not offered, **(Issue 4)**.

Examination of a sample of quality monitoring reports found that some aspects of staffing, such as remuneration, fair employee contracting terms, and compliance with employment legislation (including London Living Wage) were not reviewed, **(Issue 5)**.

The Quality Management Protocol for Providers was still in draft at the time of audit (**Issue 6**).

Exit arrangements were not in place with each provider, (**Issue 8**).

The Priority 3 issue is included under section 4.

3. Actions and Key Findings/Rationale

<b>Control Area 2: Legislative, Operational and Management Requirements</b>		
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 1</b>
2	<p>The ‘Quality Monitoring Checklist’ acts as a guide and not an exhaustive approach to monitoring or aspects monitored. Risk assessments for the aspects mentioned in issue 1, is generally found in the providers Health and Safety file which is reviewed by the Contracts Review Officer. Relevant concerns would then be picked up in the report or as part of action plan.</p> <p>To further ensure consistency and transparency, the following changes will be implemented:</p> <ol style="list-style-type: none"> <li>1. Desktop review before each monitoring visit to include request from provider for health and safety information</li> <li>2. Serious Health and safety concerns/ non-compliance will be noted and an action plan agreed to monitor improvements in conjunction with Health and Safety Lead.</li> <li>3. Checklist to include spot check on glazing and lifting equipment i.e. communal baths. Please note: Not</li> </ol>	<p>The Care Act 2014 details that, ‘<i>In arranging for the provision by persons other than it of services for meeting care and support needs, a local authority must have regard to the importance of promoting the well-being of adults in its area with needs for care and support and the well-being of carers in its area.</i>’ The ‘Care and Support Statutory Guidance’ describes well-being as including ‘suitability of living accommodation’.</p> <p>Examination of ‘Quality Monitoring Checklist’ used when inspecting care homes confirmed that this included looking at the suitability of living accommodation, as well as various health and safety checks relating to fire, water, electric and gas. However, it was noted that some aspects of health and safety were not included, such as (but not limited to):</p> <ul style="list-style-type: none"> <li>• Fire – Whether an up-to-date fire safety risk assessment had been conducted and whether any actions identified from this had been or were being actioned.</li> <li>• Water – Whether there was any monitoring of water descaling and flushing and the water system maintenance and whether actions identified in the risk assessment had been or were being actioned.</li> <li>• Electric – Whether maintenance had been undertaken, whether electricity supplies were examined and tested regularly, whether a register of portable electrical appliances was maintained and whether records of electrical supply and portable appliances examinations and tests were kept.</li> <li>• Gas – Whether gas appliances, pipework and flues were annually maintained and records of this maintenance were kept.</li> </ul>

	all equipment can be checked each visit. Out of date equipment will be flagged to the Provider and noted in the report for further action.	Furthermore, assessments of glazing and lifting equipment were not covered in the monitoring checklist.  Where the 'Quality Monitoring Checklist' omits some health and safety checks, there is a risk that there is a false sense of security and that non-compliance with health and safety requirements are not detected.
<b>Responsible officer</b>	<b>Deadline</b>	
Head of Commissioning & Procurement (Adults, Health and Integration)	30 January 2020	

<b>Control Area 2: Capacity and Quality of Providers</b>		
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 2</b>
2	<p>Business continuity plans (BCP) are to be requested on all initial monitoring visits, with a plan in place around managing updates as follows:</p> <ul style="list-style-type: none"> <li>- Tier 1 contracts (£1m and over) or strategic contracts: changes to BCP's are picked up as part of quarterly contract management meetings.</li> <li>- Tier 2 contracts (£500k and over): BCP updates are picked up 6 monthly in line with the Contract Management Framework.</li> <li>- Tier 3 contracts ( under £500K): BCP updates are picked up yearly</li> </ul>	<p>The Care Act 2014 section 48 (2) details that '<i>A local authority must for so long as it considers necessary meet those of an adult's needs for care and support and those of a carer's needs for support which were, immediately before the registered care provider became unable to carry on the regulated activity, being met by the carrying on of that activity in the authority's area by the provider</i>'. In addition, the Council's Provider Failure Policy and Procedures details that '<i>All regulated care providers are required to maintain business continuity and disaster recovery plans</i>'. Paragraphs 5.36 to 5.41 of the 'Care and Support Statutory Guidance' deal with, 'The need for contingency planning.'</p> <p>Examination of the records held by the Council for a sample of five care home providers, found that business continuity plans were not retained for two of these. Discussion established that it was intended that copies of plans be obtained during the next quality monitoring visits.</p> <p>Where the business continuity plan is not produced and retained, there is a risk that contingency arrangements may be inadequate, resulting in possible service disruption and damage to reputation. Furthermore, the Council may not be able to maintain service user's health and wellbeing.</p>
<b>Responsible officer</b>	<b>Deadline</b>	
Head of Commissioning & Procurement (Adults, Health and Integration)	30 January 2020	

<b>Control Area 2: Capacity and Quality of Providers</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 3</b>				
<b>2</b>	<p>Financial checks are currently carried out as part of the Council’s tendering process and on an adhoc basis throughout the life of the contract. To improve oversight and reporting, a staged approach to auditing organisations has been agreed with Finance.</p> <p>Tier 1 providers and those identified as high risk will be audited on an annual basis via a rolling schedule. The process will then extend to tier 2 providers on an 18 month basis.</p> <p>Where the Council undertakes business with smaller providers, not registered with Companies House, alternate options are being explored.</p>	<p>The Care Act 2014 section 55 (1) details that, ‘Where this section applies to a registered care provider, the Care Quality Commission must assess the financial sustainability of the provider’s business of carrying on the regulated activity in respect of which it is registered’. (2) Where the Commission, in light of an assessment under subsection (1), considers that there is a significant risk to the financial sustainability of the provider’s business, it may (a) require the provider to develop a plan for how to mitigate or eliminate the risk; (b) arrange for, or require the provider to arrange for, a person with appropriate professional expertise to carry out an independent review of the business’.</p> <p>In addition, the ‘Provider Failure Policy and Procedures’ details that ‘Financial health checks are undertaken by the Contracts Management Team on those regulated care providers who are not subject to the CQC market oversight duties’.</p> <p>Discussion established that financial health checks were carried out on ad-hoc basis and only for selected providers. It is acknowledged that the financial health checks would evaluate the providers’ profit and loss accounts for the two most recent full financial years, which would therefore not always reflect current circumstances, but notwithstanding, the Council does need to evidence due diligence.</p> <p>Where financial viability is not reviewed, there is a risk that providers at risk of failure are not identified in a timely manner.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Finance, Finance Investment and Risk</td> <td>On-going</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Finance, Finance Investment and Risk	On-going	
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Finance, Finance Investment and Risk	On-going					



<b>Control Area 2: Capacity and Quality of Providers</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 4</b>				
<b>2</b>	<p>Financial information and advice is offered via the Social Care teams but it is acknowledged not routinely, this will be addressed with staff through training, supervision and departmental communications. The new CLS model of service delivery will also support an increase the level of financial advice and support that will be provided to residents.</p> <p>Closer working relationships between social care teams and financial services teams are being fostered and this will continue to be a priority.</p> <p>The E Market place is still in development that is still on target for its soft launch in December 2019. The updates to the corporate website will also provide residents with more information in a more accessible format.</p>	<p>The Care Act 2014 section 4 (1) details that '<i>A local authority must establish and maintain a service for providing people in its area with information and advice relating to care and support for adults and support for carers in particular on how to access independent financial advice on matters relevant to the meeting of needs for care and support. (3) In providing information and advice under this section, a local authority must in particular (a) have regard to the importance of identifying adults in the authority's area who would be likely to benefit from financial advice on matters relevant to the meeting of needs for care and support, and (b) seek to ensure that what it provides is sufficient to enable adults (i) to identify matters that are or might be relevant to their personal financial position that could be affected by the system provided for by this Part, (ii) to make plans for meeting needs for care and support that might arise, and (iii) to understand the different ways in which they may access independent financial advice on matters relevant to the meeting of needs for care and support</i>'.</p> <p>Discussion established that, while the Care Support Team provides various type of support such as health, clinical and social matters, financial information and advice to service users was not being offered. (This type of advice would for instance relate to understanding care charges, managing money and ways to pay, and care costs.) Discussion established that an online system was being developed to provide service users advice / guidance on financial information, which was planned to go live in December 2019.</p> <p>Where financial information and advice are not made available, there is a risk that the users do not receive sufficient support and are at greater risk of suffering hardship. Furthermore, the Council is not complying with section 4 (1) the Care Act 2014.</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 &amp; Service Compliance HWA</td> <td>On-going development work</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Business & Service Compliance HWA	On-going development work	
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Business & Service Compliance HWA	On-going development work					

<b>Control Area 3: Pricing and Workforce Strategy</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 5</b>				
<b>2</b>	<p>During monitoring visits, Contract Review Officers (CRO) do check that the Provider being monitored has followed its recruitment policy, which is in line with employee legislation. CRO verify the following:</p> <ul style="list-style-type: none"> <li>- Signed contract in place, which will include start rate</li> <li>- References on file</li> <li>- DBS check completed</li> <li>- Staff given handbook</li> </ul> <p>To further ensure consistency and transparency, the following changes are proposed:</p> <ul style="list-style-type: none"> <li>- LLW is monitored through application of the Social Value Framework</li> <li>- LLW is discussed in contract management meetings</li> </ul>	<p>The Care Act 2014 section 5 (2) details that, ‘A local authority must have regard to the following matters in particular (f) the importance of fostering a workforce whose members are able to ensure the delivery of high quality services (because, for example, they have relevant skills and appropriate working conditions). (4) In arranging for the provision by persons other than it of services for meeting care and support needs, a local authority must have regard to the importance of promoting the well-being of adults in its area with needs for care and support and the well-being of carers in its area’.</p> <p>In addition, the Guide to the Care Act and the Implications to Providers dated December 2014 details that ‘Providers might achieve the delivery of high quality, appropriately resourced care and support services through staff remuneration and fair employee contracting terms, so as to retain an effective workforce and at least comply with employment legislation including payment of at least the national minimum wage’.</p> <p>Examination of some sample quality monitoring reports confirmed that aspects of staffing such as pre-employment checks and resource capacity were reviewed during the quality monitoring visits. However, matters on staff remuneration, fair employee contracting terms, and compliance with employment legislation (including the London Living Wage) were not reviewed. Discussion established that Council cannot enforce such matters due to a lack of signed contracts in place. Care workers also work across borough boundaries so hourly rate stipulations are difficult to enforce.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Commissioning &amp; Procurement (Adults,</td> <td>September 2020 (when final DPS (2) is in place)</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Commissioning & Procurement (Adults,	September 2020 (when final DPS (2) is in place)	<p>Where workforce issues are not checked during the quality monitoring visits, there is a risk that providers may not be acting in line with Council expectations and consequently the Council may suffer reputational damage from using these providers.</p>
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Commissioning & Procurement (Adults,	September 2020 (when final DPS (2) is in place)					

Health and Integration)		
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<b><u>Control Area 4: Collaboration with Partners</u></b>		
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 6</b>
<b>2</b>	Quality Management Protocol for Providers is finalised	<p>The Care Act 2014 section 6 (1) details that, ‘A local authority must co-operate with each of its relevant partners, and each relevant partner must co-operate with the authority, in the exercise of (a) their respective functions relating to adults with needs for care and support, (b) their respective functions relating to carers, and (c) functions of theirs the exercise of which is relevant to functions referred to in paragraph (a) or (b)’.</p> <p>A copy of the ‘Quality Management Protocol for Providers’ was obtained; however, this was still in draft form. It was established that the protocol is to be referred to when a decision is likely to be made that a provider may need a quality meeting. Quality meetings aim to provide peer challenge to the provider market and moreover, to help the market to provide safe and effective care.</p> <p>Where the Quality Management Protocol for Providers is still in draft, there is a risk that staff will not have an appropriate document to refer to and that quality meetings may not be appropriately conducted.</p>
<b>Responsible officer</b>	<b>Deadline</b>	
Head of Commissioning & Procurement (Adults, Health and Integration)	31 December 2019	

<b>Control Area 4: Collaboration with Partners</b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 7</b>				
1	<p>Progress will be tracked. Task and finish groups set-up for all three DPS implementation plans.</p> <p>Regular procurement updates to Adults, Health and Wellbeing DLT.</p>	<p>The Care Act 2014 section 2 (1) details that ‘A local authority must provide or arrange for the provision of services, facilities or resources, or take other steps, which it considers will (a) contribute towards preventing or delaying the development by adults in its area of needs for care and support; (b) contribute towards preventing or delaying the development by carers in its area of needs for support; (c) reduce the needs for care and support of adults in its area; (d) reduce the needs for support of carers in its area’.</p> <p>Formal contracts were not available for care home providers.</p> <p>In mitigation, it was explained that providers are regulated by Care Act 2014 and Care Quality Commission (CQC) and that a Dynamic Purchasing System (DPS) Strategy was being established. The DPS would create a single micro commissioning and call off process and end to end service that is centred around a DPS and able to process all of health, social care for Adults and Children services as well as being able to handle bespoke procurement call offs. DPS 1, 2 and 3 will be fully procured by June 2020 and used for relevant call-offs by September 2020</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Commissioning &amp; Procurement (Adults, Health and Integration)</td> <td>September 2020</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Commissioning & Procurement (Adults, Health and Integration)	September 2020	<p>Where signed contracts are not in place, there is a risk that care home providers may not be aware of (or may not feel bound by) the terms and conditions they are expected to adhere to, and may also not be aware of what the role of the Council is in supporting them. Should a breach occur, the Council may not be able to insist on correction or to demonstrate sufficient due diligence.</p>
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Commissioning & Procurement (Adults, Health and Integration)	September 2020					

<b><u>Control Area 4: Collaboration with Partners</u></b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 8</b>				
<b>2</b>	<p>The terms and condition within DPS will include appropriate exit arrangements</p> <p>The market will be managed to ensure spare capacity to manage exit arrangements.</p>	<p>The Council’s Provider Failure Policy and Procedures (included on the Council’s website) details that, <i>‘Regulated care providers registered in the borough are responsible for informing the Council in the event of a planned or unplanned closure. In the event of a planned closure then the provider must give the Council a minimum of six months’ notice prior to the planned closure date. In addition, any direct intervention by the Council must will be supported by a clear exit plan’.</i></p> <p>It was established that contracts with care home providers were not in place and therefore contractors were not bound to exit arrangements.</p>				
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<b>Responsible officer</b>	<b>Deadline</b>					
Head of Commissioning & Procurement (Adults, Health and Integration)	September 2020					

<b><u>Control Area 5: Providers Quality Monitoring and Review</u></b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rationale – Issue 9</b>				
<b>1</b>	<p>With the near completion of the Adult Health and Integration restructure (though is not fully staffed and will not be for foreseeable future), focus will now be on implementing the newly developed Contract Management Framework. This will result in:</p> <ul style="list-style-type: none"> <li>- Clear roles and responsibility in ensuring services are monitored</li> <li>- Monitoring schedule proportionate to contract spend, risk and strategic oversight. Monitoring visits will vary in frequency dependent on risk</li> <li>- Clear escalation route for contract management/monitoring issues</li> </ul>	<p>The Care Act 2014 details that, ‘<i>A local authority must have regard to matters in particular the importance of fostering continuous improvement in the quality of such services and the efficiency and effectiveness with which such services are provided and of encouraging innovation in their provision</i>’.</p> <p>Discussion confirmed that quality monitoring visits were conducted every 18 months or earlier when necessary. However, examination of the spreadsheet used to monitor these monitoring visits found that approximately 70 out of the 134 care homes were overdue for quality visit as of 10 June 2019, with 39 of these being more than one year overdue for their planned visit. Furthermore, performance of planned versus actual completion of quality monitoring visit was not being reported to management.</p> <p>Where reviews are not processed in a timely manner, there is an increased risk that actions may not be taken to prevent provider failure. Additional work or costs may result for the Council which may have been preventable.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Commissioning &amp; Procurement (Adults, Health and Integration)</td> <td>January 2020</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Commissioning & Procurement (Adults, Health and Integration)	January 2020	
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Commissioning & Procurement (Adults, Health and Integration)	January 2020					

#### 4. Priority 3 Issue

Action Proposed by Management	Findings
<p>The findings of the audit have been shared with Head of Safeguarding &amp; Quality Assurance, Adult Social Care and All Age Disability to implement recommended changes.</p>	<p>Procedure notes provide staff with guidance on the process for completing tasks, and help ensure that staff abide by regulations as well as the requirements of the organisation and management. Procedure notes should be regularly reviewed to help ensure these fit current processes and law.</p> <p>Examination of 'Provider Concern Policy and Procedure' found that some of the work titles may require update, for instance the document refers to the 'Director for Social Services', the 'Head of Commissioning &amp; Procurement Adult Services' and the 'Head of Service ,Older People Commissioning.'</p> <p>Where procedure notes are not up-to-date, there is a risk that current requirements are not complied with.</p>



## TERMS OF REFERENCE

### Care Market Failure

#### 1. INTRODUCTION

The presentation 'Adult Social Care Market in Croydon' to General Purposes and Audit Committee in December 2018 highlighted the gap between funding and demand and how this is expected to grow, the fragility of the care market and contributory factors.

As of December 2018, the current national funding gap was estimated to be £2.5 billion with demand increasing and chronic shortage of care worker staff. By 2035 it is estimated that an additional 20% of over 85s will require round the clock care.

Croydon has been the largest social care market in London with 130 care homes and more than 60 domiciliary care agencies in borough. Croydon provides 1.4 million hours of home care annually. The unit costs for older people care homes have been benchmarked as lower the average, but the Council pay some of the highest fees for under 65s.

Reference was made to the peer review of Croydon's care market carried out in 2018 and any actions flowing from this.

As part of the agreed 2019/20 Internal Audit Plan, an internal audit of the Care Market Failure was identified to be undertaken.

#### 2. OBJECTIVES AND METHOD

The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.

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





This audit examined the Council's arrangements in relation to Care Market Failure, and include the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Operational, and Management Requirements	0	1	1
Capacity and Quality of Providers	0	3	0
Pricing and Workforce Strategy	0	1	0
Collaboration with Partners	1	2	0
Providers Quality Monitoring and Review	1	0	0
Make or Buy Decisions	0	0	0
Management and Performance Reporting	0	0	0
<b>TOTAL</b>	<b>2</b>	<b>7</b>	<b>1</b>

## DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

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 identified issues 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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