

Final Internal Audit Report

Adult Self-Funding Income and Deferred Payments

June 2017

Distribution:

- Executive Director of People (Final Only)
- Director Gateway and Welfare Services
- Head of Enablement and Welfare
- Team Manager
- Charging & Financial Assessment Officer

Assurance Level	Recommendations Made	
Limited assurance	Priority 1	3
	Priority 2	5
	Priority 3	0

Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of the London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility set out in appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 The Care Act 2014 requires local authorities to assess individuals to determine whether they have eligible care needs and to consider what types of support might be provided to meet their needs. Individuals may be required to contribute towards the cost of their care as the support provided by the local authority is dependent upon the individual's financial circumstances. A financial assessment is carried out which considers the individual's source of income and any other assets they may own. The financial assessment guidelines are set out in the Care Act 2014.
- 1.2 If residence in a care home is expected to be temporary then the value of any property owned by the resident is ignored. However, if a stay becomes permanent then the value of the property must be considered. Individuals who have not been able to, or do not wish to, sell their homes to pay for their care may enter into a deferred payments agreement with the local authority whereby the authority continues to provide their funding towards the care home fees. Deferred Payment Agreements are open to those whose assets, other than property, are less than £23,250 and their income is not sufficient to cover the cost of care that they have been assessed as needing by the local authority's social services.
- 1.3 Under the provisions of the Care Act 2014, local authorities can also charge interest on the loan and include any reasonable costs. Where local authorities do decide to charge interest, this must not exceed the maximum specified in the regulations.
- 1.4 This audit is part of the agreed Internal Audit Plan for 2016/17. The audit objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Recommendations

Deferred payment agreements were being signed on behalf of the Council by staff without delegated authority to do so, **(Rec 3)**.

Sample testing of 8 clients in the Deferred Payments Scheme identified that legal charges had not been registered on the property of 4 of these clients, **(Rec 4)**.

Sample testing of 9 clients in the Deferred Payments Scheme identified that evidence of appropriate insurance cover over the property of five of the clients was not available, **(Rec 5)**.

Priority 2 Recommendations

The 'Financial Assessment Form' did not include a 'fair processing notice' **(Rec 1)**.

Sample testing identified some instances where the 'Financial Assessment Form' was not fully completed **(Rec 2)**.

Quarterly written statements, as specified by the London Borough of Croydon deferred payment guidance care act 2014, were not being sent to clients/their representatives **(Rec 6)**.

The deferred payment agreement balances in the general ledger had not been reconciled for the last two years due to information not being provided by the Adult Self-funding team. Although this information had been recently provided in December 2016, there were still a number of queries with this information to be resolved **(Rec 7)**.

A tracker was not fully in place to monitor deferred payment debt balances and to highlight when debts reached 70% of the respective property values so that these can be reviewed **(Rec 8)**.

3. Actions and Key Findings/Rationale

<u>Control area 2: Financial Assessment</u>	
Priority	Agreed Action/s (Recommendation 1)
2	The 'Financial Assessment Form' should be amended to include an appropriate 'fair processing notice'. (It is recommended that the Information and Systems team is liaised with in this regard).
	Detailed Finding/Rational
	<p>In order to determine how much service users can afford to pay towards the cost of their care or support, they are required to complete a 'Financial Assessment Form'.</p> <p>Examination of the 'Financial Assessment Form' identified that it did not include a 'fair processing notice'. Furthermore, as the form requested medical and disability information, which is considered sensitive data under the Data Protection Act, explicit consent is required.</p> <p>A fair processing notice allows the Council to use personal data for data matching processes to detect fraud, such as the National Fraud Initiative and the London Counter Fraud Hub.</p> <p>It should be also noted that with General Data Protection Regulation (GDPR) being introduced in 2017, the requirements for 'fair processing notices' will be further enhanced.</p> <p>Where appropriate declarations are not included on application forms, the Council is unable to use the details provided for data matching to identify and reduce fraud.</p>
	Management Response
	<p>These, and other forms in use, will be reviewed. The financial assessment form does contain a declaration and customer consent sections, ratified by legal at the time of design.</p> <p>Action taken:</p> <p>Contact has been shared with the Information Management team. A meeting to discuss this is pending 20 June 17.</p>
	Agreed/Disagreed
	Agreed
	Responsible Officer
	Charging and Financial Assessment Manager
	Deadline
	August 2017 will allow us time to understand the change required and implement through design and print.

Control area 2: Financial Assessment			
Priority	Agreed Action/s (Recommendation 2)		
2	<p>Review the appropriateness and use of financial assessment forms and, if deemed necessary, amend this accordingly.</p> <p>Remind staff of the need to ensure that these forms are properly completed.</p>		
	<p>Detailed Finding/Rational</p> <p>In order to accurately assess how much service users can afford to pay towards the cost of their care or support and to help detect errors and omissions, the information in 'Financial Assessment Forms' is checked to source documents.</p> <p>It was confirmed that applicants were required to provide various supporting documents along with their completed 'Financial Assessment Forms' (including bank statements and Land Registry or deeds etc.), there was no evidence that these had been verified by the officer conducting financial assessment for any of the 10 applications sampled.</p> <p>Additionally, four cases were identified where the 'Financial Assessment Forms' had not been fully completed:</p> <ul style="list-style-type: none"> • One case where client declaration was not signed; • One case where client consent to share personal information was not signed; • One case where details of other assets previously owned was not provided; and • One case where the client did not confirm whether a £10,000 war payment had been received. <p>Where supporting documents are not verified and evidenced as such, there is a risk that incorrect and incomplete supporting information may be provided which could result in incorrect financial assessments.</p>		
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>The financial assessment form is extensive to cover all assessment service types. Consequently, not all information boxes in the form are relevant to every financial assessment. It is therefore not uncommon for a proportion of the form to remain blank.</p> <p>The form is completed / discussed initially by care management. For this purpose, the verification boxes were</p>	Agree	Charging and Financial Assessment Manager	Action taken immediately – staff have been reminded and have been asked to ensure that N/A data areas are crossed through on data collection forms

provided to enable care management to verify seeing evidence / documentation correlating with figures recorded by them within the form. However, due to the varying quality of information collated on the forms, the practise changed some years ago to a system where financial assessment officers request / obtain copies of evidence / documents (bank statements etc) where not physically provided, all of which are scanned into ESCR. For this reason the verification boxes are considered obsolete.

Action taken:

We agree that financial assessment staff can cross through or mark boxes as N/A if relevant, when processing a financial assessment going forward. Staff will also be reminded of the importance of checking for full completion, with immediate effect. A training / refresher session on DPA and the new process is scheduled integrated into an away day 11 July 2017. A re-design of the financial assessment form should be carried out when moving forward with D&E work.

Control area 3: Deferred payment agreement			
Priority	Agreed Action/s (Recommendation 3)	Detailed Finding/Rational	
1	<p>Ensure that all future 'Deferred Payment Agreements' are signed on behalf of the Council in line with the Council's Scheme for Financial Delegation.</p> <p>It may be appropriate to explore the possibility of a specific exception to the Scheme of Financial Delegation to provide a solution to this matter.</p>	<p>The Council's Scheme of Financial Delegation states that, 'Any loan up to a value of £500k can only be approved by the Chief Financial Officer (Executive Director of Resources & Section 151 Officer). Any loan with a value of above £500k must be approved by Cabinet. The classification of 'loan' in relation to this delegation excludes Treasury Management or staff loans made in line with approved HR policies.</p> <p>Examination of the signed 'Deferred Payment Agreements' held, identified that these had been signed on behalf of the Council by staff within the Financial Assessment Team, who do not have delegated authority to do so.</p> <p>Where 'Deferred Payment Agreements' are not signed by staff with delegated authority to do so, the Council's Scheme for Financial Delegation is breached and there is a risk that inappropriate agreements may be signed or that agreements become un-enforceable.</p>	
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>In approximately 10 years of operating a deferred payment scheme, just one case has exceeded a loan value of £500k and was fully repaid to LBC within the terms of the contract.</p> <p>Due to legislation changes, following the implementation of the Care Act 2014, Local authorities have been stripped of the powers that previous legislation gave under HASSASSA, now making the placing of charges a more difficult process.</p> <p>Ultimately to be Care Act compliant, this resulted in the need for a new policy, contract and process to be designed and followed for the deferred payments scheme. Lawyers that were in place at the time of the Care Act implementation, presented new issues and caused huge delays for LBC, all of which the team have / are working through. This led to a recognised need for change in legal representation for this</p>	Agreed	Charging and Financial Assessment Manager	<p>July 2017</p> <p>Signing off of the business case for delegated authority is in the hands of the Governance Officer</p>

work. As a result of this, at the time of the audit, no Care Act deferred payments were formally submitted to lawyers for the processing and placing of charges. Consequently, whilst it would appear some deferred payments contracts were co-signed by financial assessment officers, none of the Care Act contracts were in a position for processing so no breach of delegated authority actually occurred for these. For contracts pre Care Act, all have a charge successfully placed against them.

Action taken:

The possibility of a specific exception to the Scheme of Financial Delegation is being explored. An initial meeting with the Governance Officer was held on 14.2.17. Subsequent meetings have taken place and we now have a completed business case that the Governance Officer is taking forward on our behalf. The final version was completed and shared with the Governance Officer on 24.5.17.

A new contract with our newly appointed lawyers provides an enhanced service level. The contract has been signed, exchanged and implemented with the new lawyers. (This piece of work was completed during February 2017). The cost of this service is passed back to the client as part of the deferred payments agreement. This minimises risk for LBC. The new lawyers take responsibility for ensuring a correctly drafted contract with appropriate authorised signatures are in place. Land Registry will reject any application that does not have a corresponding signature for delegated authority. New business workflows have been devised to support our new process and the training of staff etc.

It has been agreed that whilst the delegated authority request is being processed, all pending contracts be submitted to the newly appointed lawyers in order to avoid any further delay in the placing of charges for pending Care Act cases. They are currently working through these cases.

Control area 3: Deferred payment agreement							
Priority	Agreed Action/s (Recommendation 4)						
1	<p>The Council should ensure that legal charges are registered against the properties of all clients with 'Deferred Payment Agreements'.</p> <p>Financial assessment officers should ensure that CH1 forms are signed by clients to authorise legal charges to be placed.</p>						
	<p>Detailed Finding/Rational</p> <p>London Borough of Croydon Adult Social Care Deferred Payments Policy guidance states that, 'The care fees (accruing debt) will be secured against the client's nominated asset. This will mainly be property and a legal charge is placed, which is removed upon repayment of monies owed. Failing the ability to secure a first legal charge, LBC may choose to consider a third party guarantor or a solicitors undertaking letter. This will form part of a witnessed legally binding agreement'.</p> <p>Examination of the records and documentation for a sample of 8 clients in the Deferred Payments Scheme identified:</p> <ul style="list-style-type: none"> - That in three instances legal charges had not been placed on the property, and, - That in one instance legal charges had not been placed on the property and the required CH1 form had not yet been signed by the client to authorise legal charges to be placed. <p>Where legal charges are not placed, there is a risk that the properties are disposed of and Council is unable to exercise charge rights on the property which could result in significant financial loss to the Council.</p>						
	<p>Management Response</p> <p>Cases identified within this area of audit are either Care Act related agreements, (consequently at the time of audit no charge was placed against these properties as we did not have sufficient legal support in place to process these on our behalf) or they were pre Care Act and a charge is successfully in place / repaid.</p> <p>Action taken:</p> <p>As explained above, this problem is now rectified. All of these cases along with others outstanding for processing are now in the hands of our newly appointed lawyers who are managing</p>						
	<table border="1"> <thead> <tr> <th>Agreed/Disagreed</th> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Agreed</td> <td>Adult Social Care Team Manager</td> <td>Completed – New Lawyers and enhanced service levels are in place and actively working on all pending cases</td> </tr> </tbody> </table>	Agreed/Disagreed	Responsible Officer	Deadline	Agreed	Adult Social Care Team Manager	Completed – New Lawyers and enhanced service levels are in place and actively working on all pending cases
Agreed/Disagreed	Responsible Officer	Deadline					
Agreed	Adult Social Care Team Manager	Completed – New Lawyers and enhanced service levels are in place and actively working on all pending cases					

these for us. Compliance around ensuring up to date final documentation has been written into our new DPA business process to which a new post for recruitment is currently with our Personnel Department for job evaluation.

Care Act cases:

- One is with our lawyers. However client awarded continuing health funding from 5 May 2016. The property has now sold and an invoice for outstanding payment is pending.
- One Client has died. Deputyship case. Settlement statement issued for payment, pending.
- One contract to be processed by LBC newly appointed lawyers
- One contract to be processed by LBC newly appointed lawyers

Control area 3: Deferred payment agreement				
Priority	Agreed Action/s (Recommendation 5)	Detailed Finding/Rational		
1	<p>Financial assessment officers should ensure that the nominated assets for all clients with 'Deferred Payment Agreements' are insured throughout the life of the DPA.</p> <p>(Where satisfactory annual insurance certificates cannot be provided by clients/their representatives, the Council should consider obtaining property insurance against all usual risks and adding the cost of insurance to the accrued cost. Clients should be kept fully informed of any such arrangements.)</p>	<p>London Borough of Croydon Adult Social Care Deferred Payments Policy guidance states that, the 'asset must be insured and maintained at all times throughout the duration of the DPA agreement. Failure to do this could result in termination of the contract, if an alternative solution is not sought'.</p> <p>Examination of the records and documentation for a sample of 9 clients in the Deferred Payments Scheme identified five cases where insurance certificates were not maintained to show that the nominated properties were insured.</p> <p>Evidence was provided to demonstrate that clients were written to requesting up to date insurance documents in June 2016.</p> <p>Where nominated properties are not insured and up to date evidence of insurance maintained, there is a risk that should there be a loss in the value or damage to property that the Council may not be able to recover all of the costs envisaged.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>Obtaining insurance documents from clients / representatives is inconsistent. We are often told that automatic renewal policies are in place, documentation delays, not a priority for the family, clients that lack capacity etc. are some of the issues we experience. The team do write to the client / representative requesting insurance documentation and warn that failure will result in a full cost invoice due to a breach of contract. Evidence of these letters have been provided to audit. After attempts to resolve this, LBC issue a full cost breach of contract letter requesting full payment of outstanding fees with an invoice. This would normally prompt action on the client / representatives behalf. However, we are mindful that a more secure position is to retain and maintain a compliant agreement as ultimately LBC have been deemed legally liable to provide</p>		Agreed	Adult Social Care Team Manager	<p>With immediate affect Officers have been reminded of the need to collect and scan Insurance documents.</p> <p>September 2017</p> <p>To have fully explored and implemented the ability to internally arrange insurance cover on behalf of the client at the clients expense</p>

<p>the provision of care, which regardless of funding stream, must be provided.</p> <p>Action taken:</p> <p>Deferred Payments Scheme administered under the Care Act is recognised as being a national problem. LBC is a member of The National Association of Financial Assessment Officers who are working with DoH as part of a Charging review and pending consultation around the Care Act. Deferred Payments is forming a part of this work. LBC are putting in new additional measure to avoid missing insurance documents, embedded as part of the new DPA business process and training. We are also currently exploring internally arranging insurance cover at the clients cost. Our contract does have a provision to allow us to viably explore and implement this.</p>			
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Control area 3: <u>Deferred payment agreement</u>	
Priority	Agreed Action/s (Recommendation 6)
2	<p>Either the London Borough of Croydon deferred payment guidance care act 2014 be amended to specify that six monthly statements are issued or quarterly statements be issued.</p> <p>Statements continue to be issued in line with the London Borough of Croydon deferred payment guidance care act 2014.</p>
	<p>Detailed Finding/Rational</p> <p>The Care and Support (Deferred Payment) Regulations 2014, section 11 states that, 'The term which requires the local authority to produce a written statement which is provided to the adult—</p> <p>(aa) at the end of the period of six months beginning with the date on which the agreement is entered into;</p> <p>(bb) every six months after that; and</p> <p>(cc) within 28 days of a request made by the adult; and</p> <p>(ii) which shows—</p> <p>(aa) the amount that the adult would have to pay to the local authority in order to terminate the agreement on the date on which the statement is sent by the authority to the adult or such later date as is requested by the adult; and</p> <p>(bb) the amount of interest and administration charges which have accrued on the amounts deferred under section 14 or 30(2) or the loan instalments since the commencement of the loan;'</p> <p>Discussions with the Charging and Financial Assessment Officer established that six monthly statements are sent out in January and July each year; however, the London Borough of Croydon deferred payment guidance care act 2014 states that, 'You will receive regular statements quarterly advising you how your charge is being calculated and what the outstanding sum on your Deferred Payment account is'.</p> <p>Examination of the records and documentation for a sample of 9 clients in the Deferred Payments Scheme identified that the required statements had only been issued in August 2016 and none had been issued in the prior months of 2016.</p> <p>Where regularly statements are not produced and sent to clients there is a risk that the council may be in breach of regulations. There is a further risk that</p>

	clients may dispute final accrued charges which could result in reputational damage to the council and financial loss where disputed amounts are not paid.		
Management Response	Agreed/Disagreed	Responsible Officer	Deadline
<p>Agreed</p> <p>Action taken:</p> <p>The wording in the London Borough of Croydon deferred payment guidance care act 2014 has been amended (along with other guidance) to specify that statements will be provided every 6 months opposed to quarterly. All statements are now up to date. IT solutions to support this area of work have not been provided since Care Act implementation and consequently our team have had no choice but to build an in-house solution which regrettably has caused delays. This has involved building a databank of client DPA data and the capturing the moving position and status of all DPA's. In addition, this has allowed us to produce daily interest compound statements for clients as well as carryout sustainability checks to ensure the DPA option is viable for both the client and LBC.</p>	<p>Agreed</p>	<p>Adult Social Care Team Manager</p>	<p>Completed – statements are up to date and policy documents amended accordingly</p>

Control area 4: Income Collection				
Priority	Agreed Action/s (Recommendation 7)	Detailed Finding/Rational		
2	The Adult Self-funding team to continue to work with Finance to enable a reconciliation of deferred payment information to the general ledger. Any variances identified should be investigated and rectified.	<p>In order to help ensure that the Council's Annual Financial Statements are correct, year-end procedures are conducted to reconcile general ledger balances to supporting documents. In this regard, deferred payment agreement accrued payment debts, amounts paid and outstanding debt, are required to be reconciled to the general ledger.</p> <p>Discussions with the Senior Management Accountant established that reconciliation between the general ledger balance and deferred payment agreement accrued payment debts, amounts paid and outstanding debt has not taken place for the last two years due to information not made available by the Adult Self-funding team.</p> <p>Although information was supplied to Finance on the 5 December 2016, there were a number of queries with this data that need to be resolved.</p> <p>Where reconciliations are not carried out, there is a risk that information used to prepare the Councils financial statements may not be correct which could result in the Council's accounts being qualified by the external auditor.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
<p>As detailed above, the lack of an IT solution and resource for this area of work has presented problems. However, we are in touch with Management Accountants providing all information we possibly can on request.</p> <p>Action taken:</p> <p>A further update was subsequently supplied to Finance on 8 February 2017. We have agreed quarterly meetings with our senior accountant to ensure constant updates and monitoring measures take place. The next update will be provided 26 June 2017.</p>		Agreed	Adult Social Care Team Manager	<p>Completed</p> <p>An update was provided to accountants in February 2017 to enable the close of year end accounts. Quarterly meetings diarised with accountants. Version 29.1 system upgrade scheduled for 10.6.17.</p>

<p>The swift financials upgrade to version 29.1 is pending. This will provide us with further IT support although this will not resolve all of the issues. We have agreed with the Senior Management Accountant that she should be included in a demonstration of the upgrade offer in this area of work to further aid joint working in the progression of this work. Upgrade expected to be in place by the end of June 2017 (tbc)</p>			
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Control area 5: Monitoring and Reporting		
Priority	Agreed Action/s (Recommendation 8)	
2	<p>An up to date DPA tracker should be maintained detailing all deferred payment agreements and up to date accrued debts.</p> <p>The tracker should also be used to monitor contribution payments for internal residential clients and insurance expiry dates. The tracker could also be formatted to highlight DPA's approaching the 70% lending limit for management review.</p>	
	<p>Detailed Finding/Rational</p> <p>The standard 'Deferred Payment Agreements' schedule 1 states that the lending limit is '90% of the market or surrender value of the property less:</p> <p>a) The total amount of any indebtedness secured on that asset, or those assets, by security which has priority over the local authority's security, and</p> <p>b) £14,250.'</p> <p>In this regard the Council will seek to review any Deferred Payment Agreements (DPA) where the debts are reaching 70% of the value of the clients chosen security.</p> <p>At the time of audit, a tracker was not in place to track debts to the value of the respective client properties. Discussions established that work was in progress to produce an up to date DPA tracker and information on the tracker. Internal Audit could thus not verify that cases DPA's approaching the 70% lending limit were being reviewed as clear oversight of such cases was not maintained.</p> <p>Where a DPA tracker is not in place, there is a risk that issues arising with DPAs may not be identified and rectified timely which could result in financial loss to the Council.</p>	
Management Response		
	<p>This is now in place. The tracker has been built to also identify 70% equity remaining and to capture information around property insurance.</p>	
Agreed/Disagreed	Responsible Officer	Deadline
Agreed	Adult Social Care Team Manager	Completed The tracker identifies 70% of equity triggers. The capturing of insurance information has also been added and is being updated as information is received.

TERMS OF REFERENCE

Adult Self-funding Income

1. INTRODUCTION AND BACKGROUND

- 1.1 The Care Act 2014 requires local authorities to assess individuals to determine whether they have eligible care needs and to consider what types of support might be provided to meet their needs. Individuals may be required to contribute towards the cost of their care as the support provided by the local authority is dependent upon the individual's financial circumstances. A financial assessment is carried out which considers the individual's source of income and any other assets they may own. The financial assessment guidelines are set out in the Care Act 2014.
- 1.2 If residence in a care home is expected to be temporary then the value of any property owned by the resident is ignored. However, if a stay becomes permanent then the value of the property must be considered. Individuals who have not been able to, or do not wish to, sell their homes to pay for their care may enter into a deferred payments agreement with the local authority whereby the authority continues to provide their funding towards the care home fees. Deferred Payment Agreements are open to those whose assets, other than property, are less than £23,250 and their income is not sufficient to cover the cost of care that they have been assessed as needing by the local authority's social services
- 1.3 Under the provisions of the Care Act 2014, local authorities can also charge interest on the loan and include any reasonable costs. Where local authorities do decide to charge interest, this must not exceed the maximum specified in regulations.
- 1.4 This audit is part of the Internal Audit Plan for 2016/17 as agreed by the General Purposes and Audit Committee.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate audit testing.
- 2.3 The key findings, conclusions, and subsequent recommendations arising will be discussed with management at an exit meeting, followed by the circulation of a draft report for consideration, prior to agreement and issue of the final audit report.

3. SCOPE

- 3.1 This audit examined the following areas:





Adult Self-Funding Income and Deferred Payments 2016/17

Control Areas/Risks	Recommendations Made		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Management, Organisational and Regulatory Requirements;	0	0	0
Financial Assessments	0	2	0
Deferred Payment Agreement	3	1	0
Income Collection	0	1	0
Monitoring and Reporting	0	1	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

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 recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	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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