

# Final Internal Audit Report

## Appointeeships

### June 2018

**Distribution:** Executive Director of Place (Final only)  
 Director of Housing Need  
 Director Gateway and Welfare Services  
 Head of Enablement and Welfare

Assurance Level	Recommendations Made	
<b>Limited Assurance</b>	Priority 1	2
	Priority 2	3
	Priority 3	2

#### Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd at the request of 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 internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit 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.

The Report was prepared solely for the use and benefit of London Borough of Croydon and to the fullest extent permitted by law Mazars Public Sector Internal Audit Ltd. accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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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## **1. Introduction**

- 1.1 If someone is considered incapable of managing their own finances due to mental incapacity and there is no close relative who can help them, an appointee can be allocated to help.
- 1.2 The applicant undergoes a capacity test to ensure they suit the criteria and it is recorded whether or not they understand the consequences of the appointeeship. The officer dealing with the application is required to provide proof to the Service User's Financial Management team (SUFMT) that capacity to manage their finance has been considered and that considerations have been documented.
- 1.3 Proof that the management of their affairs is necessary as part of a comprehensive and detailed care plan and will be reviewed each year with a report of the outcome sent to the SUFMT yearly.
- 1.4 Prior to the internal audit, an issue relating to one of the staff members administering appointeeship and deputyship cases was identified, which informed the scope of the audit.
- 1.5 The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

## **2. Key Issues**

### **Priority 1 Issues**

Discussion established that there is no record maintained of the location of client property keys, or when a visit to a client property has been undertaken, and who by, (**Issue 2.**)

Although payee bank accounts were being checked to invoices or other payment documents, there is a risk that the bank details on these documents may be incorrect, (**Rec 5.**)

### **Priority 2 Issues**

Procedure notes were not available for handling of service user's property keys, and the procedures for beneficiary changes were not up-to-date, (**Issue 1.**)

BF57 forms for two clients were not available, (**Issue 3.**)

Examination of the documentation held for a sample of 10 expenditure items established that copies of four invoices and a standing order were not on file, (**Issue 4.**)

Priority 3 issues are included under item 4 below.

3. Actions and Key Findings/Rationale

<u>Control Area 1: Regulatory, Management and Organisational Requirements</u>					
<b>Priority</b>	<b>Action Proposed by Management</b>				
2	<p>The SUFMT were without a direct line manager and the Welfare Service Manager is now overseeing the team with a view to recruiting a permanent manager in the new year. The manager will be responsible for writing and reviewing policy and procedures. In the meantime, the procedures highlighted in the audit report are being prioritised.</p> <p>Procedures relating to handling client keys are currently being written. It is worth noting that no home visits have been undertaken since at least July when the Welfare Service Manager started to manage the team. A new starter has joined and one of his first tasks is to undertake an audit of the safe, which will include the logging and storing of house keys.</p> <p>The second procedure highlighted regarding setting up beneficiaries in AIB is currently being reviewed and amended. The amendments will include more robust checks around satisfying the validity of the new beneficiary details.</p> <p>Going forward any new team manager will be tasked with reviewing current procedures on a regular basis.</p>				
	<p><b>Detailed Finding/Rationale – Issue 1</b></p> <p>Procedure notes provide staff with guidance on the process for completing tasks, to ensure they abide by regulations as well as the requirements of the organisation and management. These should be regularly reviewed to ensure they fit current procedures and law.</p> <p>While the process for handling client keys and entering the property were explained, there was no procedures evidenced on how this should be handled. The Senior Officer (Service User Financial Management Team) confirmed that the working procedures currently provided to staff in 'Procedures for setting up beneficiaries re AIB' were not up-to-date for when a beneficiary requests a change of details.</p> <p>Where procedure notes are not available or up-to-date, there is a risk that staff will not comply with the requirements expected by the organisation or legislation for important processes. This could lead to reputational damage where legislation is breached or a service user is negatively affected as a result of non-compliance.</p>				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Welfare Service Manager</td> <td>Immediately</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Welfare Service Manager	Immediately
<b>Responsible officer</b>	<b>Deadline</b>				
Welfare Service Manager	Immediately				

**Control Area 2: Application for Appointeeships**

<b>Control Area 2: Application for Appointeeships</b>		<b>Detailed Finding/Rationale – Issue 2</b>
<b>Priority</b>	<b>Action Proposed by Management</b>	
1	A member of staff has been set the objective to create an activity log relating to visits and recording of keys. It is not every case that the team need to visit on and although a log needs to be kept it doesn't relate to a large proportion of cases. Since at least July there have been no instances of visits. However, it is recognised that a robust system needs to be in place to safeguard clients and their properties.	<p>When a service user is approved for an appointeeship, the care worker and SUFMT officer will visit the service user's home and remove all assets on their behalf. The service user's keys are stored in a centralised safe.</p> <p>Discussion established that there is no record maintained of the location of the keys, or when a visit to a property has been undertaken, and who by. In a previous officer's case, it was discovered that various service user's keys were being maintained in the officer's desk drawer.</p> <p>A log of all activity undertaken by any member of staff should be recorded, not limited to:</p> <ul style="list-style-type: none"> <li>• The names and signatures of the officers visiting the site;</li> <li>• The date and time of removing and returning the key;</li> <li>• The location of the key/officer responsible for returning the key; and</li> <li>• A description of why the key is required.</li> </ul> <p>Where a record of the location and use of the keys is not maintained, there is a risk that properties are accessed inappropriately, and that the Council cannot account for the location of the keys or which officers have visited each property and when.</p>
	<b>Responsible officer</b>	<b>Deadline</b>
	Welfare Service Manager	Immediately

<b>Control Area 2: Applications for Appointeeships</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>We recognise that this is an issue and will review the appointee files to ensure a BF57 is in place. Where there is not relevant documentation we will contact the DWP to obtain one and update the file accordingly</p> <p>Going forward, processes will be amended to ensure any new appointee cases must have a BF57 on file before appointeeship responsibilities are undertaken</p>
<b>Detailed Finding/Rationale – Issue 3</b>	
<p>When applying for appointeeship rights, the Council must submit a BF56 form to the DWP, which is reviewed and sent back to the Council as a BF57 form giving approval.</p> <p>It was established that for the sample of eight appointeeship cases selected, two did not have BF57's on file.</p> <p>Where the BF57 isn't received and retained, there is a risk that the Council assumes appointeeship responsibilities, where no authorisation has been given by the DWP.</p>	
<b>Responsible officer</b>	<b>Deadline</b>
Welfare Service Manager	Immediately



<b>Control Area 2: Applications for Appointeeships</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>We are currently exploring other methods of retaining information relating to client documentation. Uploading documents onto Caspar is time consuming and due to resources is not where it needs to be.</p> <p>The iclipse system used in the housing benefits and revenues department means that scanning is done at the start of the process rather than at the end as the Sufmt do at the moment. Exploration of using this system is key to ensuring documentation is up to date. The issue of scanning will be removed from the team as a function and will be carried out by CIS team.</p> <p>We have recently recruited two additional team members which should free up capacity amongst the team to ensure scanning is kept up to date.</p> <p>The team have been involved in a big piece of work which has added to resource pressure. This is due to end at the end of January and will also free up capacity</p>
	<p><b>Detailed Finding/Rationale – Issue 4</b></p> <p>Where an invoice or standing order has been received for a client, it should be authorised and retained on the CASPAR client management database as a record of the payment and authorisation.</p> <p>Examination of the documentation held for a sample of 10 expenditure items, it was established that copies of four invoices and a standing order were not on file.</p> <p>Where invoices and standing orders are not retained on file, there is a risk that inappropriate payments could be made. There is also a risk that where a dispute arises, the payment cannot be agreed to the invoice where it can't be evidenced.</p>
<b>Responsible officer</b>	
Welfare Service Manager	<p><b>Deadline</b></p> <p>Immediately</p>

<b>Control Area 4: Income and Expenditure</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
1	<p>We need to explore how to introduce more robust validation and checking into the process without this becoming onerous. There are 500 service users and we are paying and authorising around 150 transactions a week. It is not possible to verify each one. The team deal with approximately £9 million of transactions.</p> <p>The Welfare Service Manager is to arrange a meeting with relevant parties to see what reporting or controls can be put in place to check that payments are paid correctly.</p> <p>The team are still in the process of moving across to a pooled account. The Welfare Service Manager is to find out if there is anything available from AIB regarding checking and validating payments</p> <p>We agree measures need to be put in place to ensure payments made are correct but also need to consider the boundaries of current systems and first need to understand what these are.</p> <p>APAD (association of professional appointees and deputies) may also aid as a tool to getting our governance correct. The Welfare Service Manager will establish contact and gather information from other local authorities regarding their governance.</p>
	<p><b>Detailed Finding/Rationale – Issue 5</b></p> <p>Appointeeship and deputyship payments are made from each individual's personal deputyship bank account maintained on the AIB system. Once the invoice or other payment document has been appropriately verified, the case worker will set the payment up on AIB, by inputting the relevant payee bank account, amount, etc. and a manager will then authorise the payment.</p> <p>It was; however, established that because for each transaction the bank account details can be amended, the managers will check the bank account details input to the original invoice or payment document. There is thus a risk that, if the invoice or payment document includes an incorrect bank account, payments may be made to an incorrect payee.</p> <p>In addition, there were no regular reports or other checks available to detect instances where regular supplier payments may have been made to an inappropriate bank account.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Welfare Service Manager	Immediately



**4. Priority 3 Issues**

<b>Action Proposed by Management</b>	<b>Findings</b>
<p>1) This relates to the action against control area 3 regarding storing of documents. Currently the system allows documents to be stored at the end of the process and due to pressures of case management is left.</p> <p>Introducing a new system, additional recruitment and getting support from CIS should see scanning becoming up to date and documents easier to find.</p> <p>Again, procedures need to be updated to ensure confirmation emails are uploaded to the document storage area of CASPAR or any new agreed document management system.</p>	<p>When setting up bank accounts for a new client, two signatures from authorised officers are required, and this form is sent to Allied Irish Bank to setup the account. A response from Allied Irish Bank is received to confirm the setup of the bank account in the name of the client.</p> <p>Examination of the bank account set up forms held on file established there were two cases where the bank account set up form was not on file. It was noted that these are the same signatories that are required to authorise it on iBusinessBanking, and so it would have been appropriately authorised.</p> <p>Furthermore, of the ten bank account set ups that were selected for testing, it was established that six did not have a confirmation e-mail from AIB on file.</p> <p>Where an appropriate record of authorisation of the bank account and confirmation from Allied Irish Bank is not kept in place, there is a risk that bank account details could be incorrect or not confirmed.</p>
<p>2) Consideration to be given to adding the SUFM to the risk register</p>	<p>The corporate risk register highlights high level risks that management need to be aware of and consider future controls to mitigate the likelihood of the event occurring, or the impact where it does.</p> <p>From review of the corporate risk register and discussion with the Head of Enablement and Welfare, it was established that there were no risks included on the register that relate to the Appointeeships service.</p> <p>Where no risks are stated on the corporate risk register, there is a risk that any problems that could result from the service are not highlighted to the relevant officers at a higher level.</p>

## TERMS OF REFERENCE

### Appointeeship

#### 1. INTRODUCTION

- 1.1 If someone is considered incapable of managing their own finances due to mental incapacity and there is no close relative who can help them, an appointee can be allocated to help.
- 1.2 The applicant undergoes a capacity test to ensure they suit the criteria and it is recorded whether or not they understand the consequences of the appointeeship. The officer dealing with the application is required to provide proof to the Service User's Financial Management team (SUFMT) that capacity to manage their finance has been considered and that considerations have been documented.
- 1.3 Proof that the management of their affairs is necessary as part of a comprehensive and detailed care plan and will be reviewed each year with a report of the outcome sent to the SUFMT yearly.
- 1.4 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of appointeeships has been identified to be undertaken.

#### 2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 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





- 3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Management and Organisational Requirements	0	1	0
Applications to Appointeeships	1	2	0
Client Bank Accounts	0	0	1
Income and Expenditure	1	0	0
Monitoring	0	0	0
Risk Register	0	0	1
<b>TOTAL</b>	<b>2</b>	<b>3</b>	<b>2</b>

**DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS**

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:

<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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