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

REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

Issued to: Assistant Director Exchequer Services
Director of Finance
Contract and Operations Manager (Exchequer)
Head of Finance, Adult Social Care
Director of Adult Services
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Reviewed by: Head of Audit and Assurance

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REVIEW OF APPOINTEESHIP AND DEPUTYSHIP

INTRODUCTION

1. This report sets out the results of our audit of the Appointeeship and Deputyship (A&D) service. The audit was carried out as part of the work specified in the 2021-22 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 Court of Protection or the Department for Work and Pensions will appoint the Director of Adult Social Care to act as the Deputy or Appointee, for the administration of the financial affairs of Service Users. The A&D service is delivered as part of the Exchequer Contract; the latest contract started on 1st April 2020. The A&D Team consists of four designated A&D officers and an A&D Manager. As at 19th January 2022, the team held 217 Appointeeship cases, 48 Deputyship cases and 23 Tenancy cases.
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 6 January 2022.
5. We identified the following key risks:
 - Robust governance arrangements are not in place for monitoring the Appointeeship and Deputyship service level agreement held within the Exchequer Services Contractor or the contract to provide community funerals
 - Client funds are not correctly managed and result in loss or misappropriation.
 - The fees for Appointeeship and Deputyship and Community Funerals have not been correctly applied or recovered according to the Charging Policy
6. Our scope included financial management, safeguarding of assets, charging and annual reviews, together with contract management. We undertook testing on a sample of clients and transactions between April 2021 and January 2022.

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AUDIT OPINION

7. 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	4	2

SUMMARY OF FINDINGS

8. The audit review was completed after a period of change for the A&D service including home and hybrid working, a new LBB case management system and a change to mail systems and associated processes. For the Monitoring Officer these changes, together with additional responsibilities of being a key contact during the development, implementation and post implementation of the ASC and CSC case management system and the Exchequer role of distributing COVID grant payments, meant that there was reduced capacity to monitor the A&D contract.
9. The audit has identified areas of good practice and sound controls as set out below:-

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- The A&D specification is a comprehensive document that clearly sets out Council/provider roles and responsibilities together with service requirements in a logical order
- The performance information (Position Statement) includes both qualitative and quantitative information to allow a holistic view and had been submitted on time for the 6 months sampled.
- Quality Assurance arrangements are robust in design and effective in practice. They provide for an independent check on all Deputyship cases at least once a year and Appointeeship cases approximately every 18 months, to identify and correct any errors and confirm robust financial management.
- Utilisation of the online banking facility and the access controls offered, including unique password and sign on, delivers effective separation of duties for all bank transactions.
- Use of the holding account has decreased with the development of online banking but it is regularly, independently reconciled by the A&D manager.
- The four systems utilised to support delivery of the A&D service, the case management system, the system to hold scanned documents, the on-line banking system and the review/charging spreadsheets all offer adequate controls to process and store client information.

10. Audit review, interview and testing has identified the following areas that require management attention;-

- Service review meetings for A&D have not been completed and as such, formal performance sign off could not be demonstrated.
- The A&D Procedures were last reviewed in 2017 and do not reflect the changes necessitated by new systems and ways of working
- Monthly bank statements had not been received for 2/20 clients sampled to allow the reconciliation of balances between the bank account and the A&D case management system. Two signatures were not evidenced on bank set up forms for 4/10 clients sampled and 1/10 scanned copies had not been retained.
- For 2/20 clients checked, the client contribution had not been updated to reflect the current rate and supporting documentation.

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- The office safe check completed on the 1/2/22 identified items that were not entered onto the case management system. Similarly, a system generated report, identified items not seen on the 1/2/22 safe check, location descriptions of “Not Exchequer Contractor” that require explanation and asset holdings for clients that died more than 7 years ago. There is no retention or disposal policy.
- For 1/20 clients checked the incorrect balance had been used to calculate the annual charge and 2/20 clients had not received an annual review as they had not been entered onto the control spreadsheet.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. 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.

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1. Contract Monitoring

Finding

The Contract and Operations Manager (Exchequer) (C&OM (E)) is the nominated monitoring officer for the Financial Assessment and A&D services of the Exchequer Services contract that started in April 2020. We acknowledge that lockdown, additional responsibilities for Exchequer Services to verify/distribute grants and specifically for the C&OM (E) as the primary finance contact for the development, implementation and post implementation of both ASC and CSC systems, meant that the availability to monitor the A&D contract has been limited.

The Service Review meetings should be held monthly following timely receipt of the monthly Position Statements. Through review of meeting minutes, we have evidenced that these took place between February and July 2021 but there are no minutes for the period August to December 2021. The A&D Manager confirmed her availability for the January 2022 Service Review meeting but was not called to attend. Consequently, there is no evidence that Service Review meetings considered the A&D service for the period August 2021 to January 2022. There is also no evidence that any spot checks have been completed on the service to independently verify the information provided by the contractor or that the KPIs have been met.

The A&D specification (GRSP006) stipulates that a minimum of two officers from the Client Unit will have access to the A&D case management system. This was outstanding but will be requested for the monitoring officers.

The contract for community funerals stipulates that the provider submits information relating to service delivery four times per year. The AD Exchequer Services confirmed that these returns had not been issued by the provider and remedied this immediately.

Risk

The performance and compliance to the service level agreement is not scrutinised and challenged to ensure delivery of the contracted service at the required standard.

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<p><u>Recommendation</u></p> <p>Include A&D in the monthly Service Review and ensure that these meetings are formally minuted. 'No issues arising' or 'no action to be taken' should still be recorded to support the effective management of this contract.</p> <p>Provide access to A&D case management system for two client officers and consider completing spot checks to independently verify the performance information submitted.</p> <p>Identify any training needs that would support the monitoring officer in the role to ensure effective oversight of the A&D contract.</p>	<p><u>Rating</u></p> <p>Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>During the period covered by the audit the Operations Manager was on long term sick leave, the Service Delivery Manager was available to attend the meetings however as there were no issues he was not asked to attend. The Operations manager is now attending the monthly meetings and the discussions are recorded in the formal minutes. (Contract & Operations Manager (Exchequer)/Contractor's Operations Manager)</p> <p>Access to the A&D case management system will be arranged for the Contract & Operations Manager (Exchequer) and the Monitoring Officer. Appropriate training will also be carried out.</p>	<p><u>Agreed timescale</u></p> <p>Completed.</p> <p>01/09/22</p>

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2. A & D Procedures	
<p><u>Finding</u></p> <p>The A&D procedures (2017) is a comprehensive document that follows the operational demands of the service specification. However, these procedures need to be updated to reflect the recent change to scanned documents held and the implementation of the new Adult Social Care, case management system replacing. The “walk through” test completed with an A&D Officer at the start of the audit evidenced minor changes that would need to be updated and the move from manual signatures on documents such as the monthly bank statement.</p> <p><u>Risk</u></p> <p>Approved procedures are not consistently applied by all officers across the service. Key controls may be compromised if a standard approach is not adopted or evidenced as set out in the agreed procedures. Client funds may be mismanaged or misappropriated.</p>	
<p><u>Recommendation</u></p> <p>Update the A&D procedure notes to reflect the move to new document and case management systems The A&D procedure notes should reflect actual service delivery, accounting for the procedure changes that were introduced during COVID restrictions and now adopted.</p> <p>The A&D procedures should be owned and dated with a revision date to allow version control.</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>During this period several new systems and processes were introduced including the introduction of the document storage and the implementation of ASC case management systems. In addition, over the next few months the service will be moving onto a new, hosted, version of the A&D case management system. It is recognised that</p>	<p><u>Agreed timescale</u></p>

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<p>these changes will require the current procedures to be updated and this will be completed by 30/09/22 once the new systems are fully bedded in. In the interim where there have already been any significant changes this will be updated in the procedures and the revised procedures will be forwarded to the Assistant Director of Exchequer Services for sign off. (Contractor's Operations Manager/ Assistant Director of Exchequer Services)</p>	<p>Initial update by 30/06/22 and sign off by 30/09/22</p>
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3. Bank Statements and set up forms

Finding

Sample testing of 20 clients highlighted that for 2/20 the bank statement for the sample month was not available and the bank transaction report was submitted and used for audit testing. Monthly statements for these clients had not been received since the respective start dates of May 21 and November 2020. Although transaction testing was completed the reconciliation and verification of bank statement to the system balance could not be completed for these clients. There is no process to identify monthly statements not received from the bank.

For the same sample, the 2 letters and 4 forms completed to set up a new bank account for each client and submitted to the bank, were checked. 1 had e-mail evidence of submission but the forms had not been scanned and retained; 4/10 had only one signature on the forms or letters not two, however none of the cases were more recent than 2020.

Risk

Variances between the bank statement and the A&D system are not detected and investigated in a timely manner which could mean financial loss. Creation of bank accounts for fictitious clients; inadequate audit trail to evidence responsibility to set up a new bank account.

<p><u>Recommendation</u></p> <p>Investigate whether system reports can be generated to identify unreconciled bank statements for more than an accepted period after setting up.</p>	<p><u>Rating</u></p> <p>Priority 3</p>
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<p>Remind officers of the requirement that all bank account set up forms and client identity letters are signed by two A&D officers and all forms to be uploaded to the client folder.</p>	
<p><u>Management Response and Accountable Manager</u></p> <p>The contractor has queried with the system provider whether a report can be run on unreconciled accounts, which would flag any missing statements, if this is not possible then the officer will carry out a manual check (Contractor’s Operations Manager/Contract & Operations Manager (Exchequer))</p> <p>The contractor has been reminded of the need to ensure all forms are properly authorised with scanned copies retained as evidence. (Contractor’s Operations Manager)</p>	<p><u>Agreed timescale</u></p> <p>15/06/22</p> <p>Completed</p>

4. Supporting Documentation and Financial Transactions

<p><u>Finding</u></p> <p>For the sample of 20 clients, we selected two transactions from the monthly bank statement and checked to the supporting documentation held. We found that:</p> <ul style="list-style-type: none"> • For 2/20 clients, the incorrect client contribution had been paid as the current rate had not been applied • In one instance the DWP letter had not been received and/or scanned to support the benefit value received

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- In one instance, confirmation for a temporary increase of personal allowance was held in the A&D officer’s inbox and not on the shared system.

For the cases identified above, the quality check had not yet been completed which should have identified the errors.

Risk

Client funds are not correctly managed resulting in loss, misappropriation or fraud. Impact on Council’s reputation as statutory duty to manage client funds is not met.

Recommendation

Ensure that all transactions are supported by independent documentation reflecting the current rate for regular receipts/payments. Supporting documentation to be held in the client folder, going forward that will be on the document storage system.

For the cases identified, instigate remedial action to correct the over/underpayments .

Rating

Priority 2

Management Response and Accountable Manager

- The standing orders have been amended to reflect the correct client contribution for the two cases identified and have been forwarded to the bank to action.
- DWP have been contacted and a copy letter requested.
- The memorandum for the change to the personal allowance is in the ASC case management system and will be held in the document storage system going forward. The email for the temporary change is saved in the A&D case management system as per current procedures.

All Officers will be reminded of the importance of updating client contributions, particularly following annual uplifts and a reminder will be issued to the team that all documents need to be held on the document storage system. (Contractor’s Operations Manager).

Agreed timescale

31/05/22

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5. Safeguarding Assets and Retention/Disposal Policy**Finding**

We checked the safe contents and locked cash box and compared these to the records held on the A&D case management system. We found that:

- There is no safe inventory to summarise the contents of the safe or record the deposit or removal of client items.
- Keys for two clients held in the safe had no corresponding client record on the A&D case management system.

The annual asset check, completed by two Exchequer Contract officers, independent of the A&D team is based on individual client sheets generated from the A&D case management system by the allocated caseworker. There is no summary report run to reconcile that all listed property is checked. We requested a summary report as at 1/3/22 for Personal Effects, Protection of Property and Documents. We found that:

- 5 entries for items held in the office safe were not evidenced at the 1/2/22 safe check.
- The A&D officers were not able to explain the location “Not with the contractor” which included 23 clients from 2015 to 2019. Within this section a client named as “Prior Test” with 7 items of jewellery listed.
- There is no retention policy. Some entries on all three property tabs related to assets held for many years, the earliest entry being April 2009. We acknowledge that some adult A&D clients will be with the service long term and there is also a possibility that relatives may claim held property after a date of death. However, some disposal decisions have been made as the report does show items “destroyed” or “thrown away”.
- From the A&D case management summary report we identified clients with asset entries before 31.12.2014. According to the ASC case management system, eleven A&D clients died before 31.12.2014 and a further five community funeral clients were identified who had died before 31.12.2014.

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<p><u>Risk</u></p> <p>Loss of client's personal property. Additional cost of securing and checking personal property.</p>	
<p><u>Recommendation</u></p> <p>Create a safe inventory to be held in the A&D office to record all deposits and withdrawals from the safe and locked cash box. This will allow accountability and support the information held on the A&D case management system.</p> <p>The A&D Team will need to account for the entries identified on the 1/3/22 system report and not found in the safe check completed on the 1/2/22. Similarly, an explanation of "not with the contractor" will need to be sought. A&D officers will need to agree a consistent upload of information to the Property tabs including the "location" field.</p> <p>The annual asset review should be supported and reconciled to a summary report (as produced for audit on the 1/3/22) generated from the A&D case management system to account for all assets entered for all clients.</p> <p>Management should consider a retention/disposal policy for A&D, Protection of Property (POP) and Community Funeral clients.</p>	<p><u>Rating</u></p> <p>Priority 2</p>
<p><u>Management Response and Accountable Manager</u></p> <p>Contractor's Operations Manager will create a safe inventory. This will be reviewed by the Operations Manager at the same time as the annual property assets check.</p>	<p><u>Agreed timescale</u></p> <p>31/07/22</p>

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<p>The A&D case management system has been updated with the details of the keys for two clients held in the safe.</p> <p>There are comments noted in the A&D case management system stating that some items have been passed to family, next of kin, solicitors, however these comments do not appear on the property assets report.</p> <p>The contractor will run a summary report from the A&D case management system, rather than individual client reports, and will use this to cross reference all items as part of the annual property assets check. (Contractor’s Operations Manager/ Contract & Operations Manager (Exchequer)).</p> <p>A retention/disposal policy will be produced to cover A&D, POP and Community Funeral clients. (Assistant Director Exchequer Services)</p>	<p>31/07/22</p>
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6. Review and Charging Spreadsheets

Finding

The A&D team maintain a spreadsheet with monthly tabs to record fees and charges and the annual review for all clients. The A&D Manager adds new clients on the appropriate month sheet based on the Court of Protection date of award for Deputyship or receipt of the first benefit payment for Appointeeship. Similarly, closed cases are removed from this “live” document. The tabulated spreadsheet does provide a good oversight of all clients and a control to complete the review within a 12-month period and collect charges. However, our testing identified errors when a client had been moved between months as the start date changed (A&D accepted date to COP award or DWP receipt date).

We sample tested 20 annual reviews and charges applied. We found that:

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- In one instance, the incorrect balance had been used and an undercharge of £59.42 applied. This case had not yet been reviewed as part of the Quality Checking completed by the A&D Manager
- In two instances, the end of period balances did not exactly correspond to the bank balance and other holdings. As the balances exceeded the £16K threshold, this did not impact on a variable charge but one of the balances was close to the threshold and therefore the exact date and balance were relevant.
- In two instances, the clients were not included on the relevant monthly tabulation and the review and charge had been missed. Remedial action was taken to charge and complete/book the review.

Risk

The incorrect fee is applied to a A&D client account or the annual charge is not collected.

The annual review is not completed to confirm all benefits due are collected, payments are correct, bank holdings are reconciled, and the welfare of the client is assessed.

Recommendation

Consider reconciling the total number of clients listed on the monthly tabulations for review and charges to the current client list held on the A&D case management system.
 Ensure that the bank balance and total holdings are declared for the end of period date for charging purposes.

Rating

Priority 3

Management Response and Accountable Manager

The errors identified in the audit have all been corrected and the Operations Manager now maintains a separate listing of all new clients which is cross-referenced to the Reviews and Charging schedule to ensure all new clients are included on the Charging Schedule. (Contractor's Operations Manager/ Contract & Operations Manager (Exchequer)).

Agreed timescale

Completed

OPINION DEFINITIONS

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.