

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1813 – Financial Assessments
REPORT NUMBER	IA/AC1813
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Financial Assessments.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Financial Assessments.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. IMPACT SECTION

7.1 **Economy** – The proposals in this report have no direct impact on the local economy.

7.2 **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. The proposals in this report will have no impact on improving the staff experience.

7.3 **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4 **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8. APPENDICES

8.1 Internal Audit report AC1813 – Financial Assessments.

9. REPORT AUTHOR DETAILS

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ABERDEEN CITY COUNCIL

Internal Audit Report

Social Care

Financial Assessments

Issued to:

Judith Proctor, Chief Officer, Health & Social Care Partnership
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Steven Whyte, Director of Resources
Alex Stephen, Chief Finance Officer, Health & Social Care Partnership
Carol Smith, Accounting Manager
Angela Crawford, Finance Controls Manager
Paul Hewitt, Finance Support Officer
External Audit

EXECUTIVE SUMMARY

Under Social Work legislation there is an option for the Council to charge adult users of Non-Residential social work services for services provided. These services include care and support, housing support, warden charges, community alarms and day care. A charging policy is in operation, based on the ability of the service user to pay, as determined by a financial assessment of their income, capital, and specified outgoings, completed by a dedicated Support Team within Finance.

Similarly, service users who require full time residential care are assessed on their ability to pay (typically weekly Care Home fees) through an examination of their weekly income and any capital held, which can also include ownership of property.

The objective of this audit was to consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner. In general this is the case, however application forms are not all being fully completed, and supporting evidence is not always being obtained and passed to Finance promptly by Care Managers, retained, and challenged where appropriate. Finance already completes interim assessments and has agreed to implement additional checks and retain evidence that these have been completed. An escalation process will be developed with Care Managers for cases where there are delays in obtaining full information.

Although a notional income from service users' capital assets (excluding their main residence) is included in the Non-Residential financial assessment and charging policy, the Service relies on applicants volunteering information on the value of their assets rather than seeking independent confirmation as is the case for Residential charging which falls under separate legislation – though in some cases these had also not been verified as bank mandates had expired prior to assessments being completed. As a result if this information is not volunteered those with capital in excess of the relevant thresholds may not be subject to the appropriate charges as set out in the charging policy. The Service will review the local policy to determine the best way of dealing with this.

DWP benefit rates and personal allowances to be factored into financial assessments are updated annually each April, however these are not automatically updated on the system as variations in service users' circumstances cannot be adequately reflected without manual intervention. Whilst this ensures greater accuracy there have been delays in processing changes, which will have to be backdated. The Service plans to bring assessments up to date prior to further changes planned for phased implementation from October 2018.

1. INTRODUCTION

- 1.1 Under Social Work legislation there is an option for the Council to charge adult users of Non-Residential social work services for services provided. These services include care and support, respite care, housing support, warden charges, community alarms and day care. A charging policy is in operation, based on the ability of the service user to pay, as determined by a financial assessment of their income, capital, and specified outgoings.
- 1.2 Similarly, service users who require full time residential care are assessed on their ability to pay (typically weekly Care Home fees) through an examination of their weekly income and any capital held, which can also include ownership of property.
- 1.3 The objective of this audit was to consider whether adequate arrangements are in place across the Service to undertake financial assessments in an accurate and efficient manner. A review of procedures and practice was therefore undertaken to determine whether service users' liabilities had been correctly calculated and applied.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Carol Smith, Accounting Manager, Paul Hewitt, Finance Support Officer, Claire Duncan, Lead Social Work Officer, and Alex Stephen, Chief Finance Officer.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 Comprehensive written procedures were available for Non-Residential Financial Assessments. However, these are split over numerous documents, many of which repeat rather than cross-refer to the current allowances and types of expenditure which should be taken in to account. Combining or cross-referencing this documentation would make updating it (e.g. as a result of changes in rates or categories) more efficient, and could make it easier to apply.

Recommendation

The Service should consider producing one comprehensive guidance document for the completion and calculation of all Non-Residential Financial Assessments.

Service Response / Action

Agreed.

Implementation Date

June 2018

Responsible Officer

Finance Support Officer

Grading

Important within audited area

- 2.1.3 The Residential Financial Assessment guidance largely consists of the official Scottish Government advice for processing such assessments and gives details of all benefits, income and capital as well as disregards which should be taken into account in processing these assessments. During examination of the assessments, rules regarding continuing Home Commitments (expenditure) were discussed but these have not been formalised into any local document to provide clarity and consistency in practice.

Recommendation

The Service should ensure practice regarding allowances for Home Commitments for Residential Financial Assessments is documented.

Service Response / Action

Agreed. Rules will be formalised and documented for Care Managers to apply.

Implementation Date

August 2018

Responsible Officer

Finance Support Officer

Grading

Important within audited area

2.2 Non-Residential Financial Assessments

- 2.2.1 Non-Residential Assessments are offered to service users who require assistance but will remain in their own home. In order to complete the assessments correctly all information must be provided including details of capital, benefit payments and any other income as well as details of all expenditure including Council Tax and rent payments. Allowances are applied, and an available income determined. Charges vary depending on the services provided, and can be applied to up to 67% of the service user's calculated available income. An assessment may be declined if the service user does not wish to disclose their financial situation, but in such a case the full charge will be levied.

- 2.2.2 Details from the assessment form, and any other information provided to or obtained by the Service to supplement or confirm it, is entered to the CareFirst system, which automatically calculates the service user's contribution towards the cost of their services. This is used for future invoicing, and a letter is generated using this data to send to the service user to advise them of the amount they are expected to pay.
- 2.2.3 Of 10 assessments examined, two had not been signed. A signature from a previous assessment had been taken in one case as authority to proceed, and there were no supporting details in the other. Without signed forms there is no record that the service users have agreed to share the financial information which has been accessed. Without explicit consent there is a risk that Data Protection requirements might be breached. In such instances the Service should either obtain the approval, or not process the application and apply the full charge.

Recommendation

The Service should ensure data is not processed unless a signed form has been received indicating an assessment has been requested.

Service Response / Action

Agreed. Unsigned forms will be returned to Care Managers to have them signed.

Care management will ensure staff are upskilled in the process of completing and submitting a financial assessment and the signing of the form.

Forms are being redesigned as part of an ongoing wider review of financial processes, and work to ensure compliance with the EU General Data Protection Regulation (GDPR).

Implementation Date

Implemented

Responsible Officer

Finance Support Officer/
Social Care Service
Managers

Grading

Significant within audited
area

- 2.2.4 Two application forms (including one of those referenced above) had not been completed, except for a signature in one case. Although the assessments were then completed based on data obtained from the Benefits system and Housing and Council tax benefit system, in the absence of further information there is a risk that undeclared income (or expenditure) could have affected the result.
- 2.2.5 Where capital held is in excess of £16,000 then the service user is precluded from receiving assistance. Where capital exceeds £10,000, tariff income of £1 per £500 over this amount is taken into account as notional weekly income, up to the cut-off point of £16,000. 6 Application forms either stated that the service user did not hold bank accounts, or gave the account names but did not detail the amounts held. There were no records of this having been challenged or further reviewed, meaning that capital could have been under-declared and charges incorrectly reduced.

Recommendation

The Service should ensure that financial assessment details are fully completed and checked to ensure they are adequately supported, before assistance is provided.

Service Response / Action

In contrast to Residential Care there is currently no legislative requirement or policy option to check deprivation of capital. A review of the local policy will be undertaken to consider the best way to deal with the issue identified.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2018	Chief Finance Officer	Significant within audited area

2.2.6 Rent and Council tax paid, less any Housing Benefit and Council Tax Reduction received, can be claimed as allowable expenditure. This data can be checked, or obtained, from a Council system. Although the Service has stated that where data was not included on the application, or was different to that used in the calculation, it had been obtained through this system, evidence of this check is not retained to provide assurance that the figures are accurate.

2.2.7 The Service can check current and historical rates of benefit entitlements and state pension amounts through a Department for Work & Pensions portal. These checks should be performed to determine that the correct rates of benefits and pensions amounts have been entered on the application form. Evidence of these checks are normally retained, however in one instance there was no record of it having been completed.

Recommendation

The Service should retain evidence of all checks carried out to confirm applicants' income and expenditure.

Service Response / Action

Agreed. The Service will continue to save the DWP checks to the client folders by screen shots, and will annotate assessments to show that calculations and system checks have been completed.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Finance Support Officer	Significant within audited area

2.2.8 In another four cases the DWP check had been performed, but prior year figures had been used. Although the assessments were completed after April 2017 and updated rates would have been available, each was retrospective, with start dates prior to April 2017, but there was no update or second assessment immediately following the change to benefit rates on 3 April 2017.

2.2.9 Personal allowances are updated at the start of each new Financial Year, however they were not notified to the Service until 31 July 2017. The previous year's personal allowance was therefore used in 4 cases as the calculations had been performed in June (a difference of £5 per week in 3 cases and £1 in another). In another instance, where it had been identified that the wrong allowance had been recorded on the CareFirst system but could not be changed, an adjustment had been made to allowable expenditure instead, but at the wrong rate (a £4 per week difference).

2.2.10 Corrections and updated rates had not been applied at the point Internal Audit reviewed the cases in October 2017. If rates and allowances are entered manually for each individual service user, there is a risk that they will be incorrectly applied. If it is possible to apply changes universally across the CareFirst system this would reduce the risk of error.

Recommendation

The Service should review whether personal allowances and subsequent calculations could be automatically updated each year.

The Service should ensure that up to date benefit figures and allowances are used for all assessments, and a new assessment is completed promptly following known changes.

Service Response / Action

Agreed.

The Service has reviewed and determined that the CareFirst Team cannot update assessments automatically due to different rules impacting on different sections of the client base. The CareFirst team will however develop reporting tools to assist the Finance Team in completing the annual re-assessment process.

There were some delays in 2017 pending agreement from the Health and Social Care Integration Directorate of the personal allowances. CoSLA rates are now being applied and these will be updated annually. All changes are backdated to the date of change.

Up to date benefit figures are always verified with a CIS (DWP) Check when conducting a new financial assessment. The client is always advised that they are entitled to request a re-assessment at any time and that they should advise us if there is any change to their financial circumstances. If a further financial assessment is submitted to the Financial Assessment Team a Re-assessment will be conducted and the new figures applied.

The Non-Residential Charging Policy has been under review for some time, substantial changes in the Policy are being proposed therefore the Annual Re-Assessments have been on hold. These will now be processed, pending further changes planned to be phased in from October 2018.

Implementation Date

October 2018

Responsible Officer

Finance Support Officer

Grading

Significant within audited area

- 2.2.11 Procedures indicate that service user contributions should be authorised by a separate officer to that entering the details on the CareFirst system. There are however no specified requirements for the authoriser to check or confirm any of the data before doing so. The Service has stated that assessments are not checked by a second person prior to notification letters being issued to a service user. There are also no checklists for the officer completing the assessment to demonstrate that each and every element has been checked and completed.
- 2.2.12 In addition to the instances outlined in previous sections further errors were noted. In one case insurance payments had been entered as being payable every week when details on the form showed it was a monthly amount, and in another the weekly value of a monthly private pension had also been miscalculated. In the former case there would have been no impact on the charge, however in the latter the service user may have been under-charged. Calculations are not retained to demonstrate how the figures had been arrived at.
- 2.2.13 Service users are notified of their contribution (if any) by letter. Of the 10 letters reviewed, 2 were not dated, 3 did not show the financial calculation used to determine the contribution, and another carried through the system error referenced at 2.2.9 above.

Files also indicated that a letter had been generated to advise one service user that as they had capital in excess of £16,000, they would be liable for the full charge, but the system, calculation and supporting documentation showed that the balance held was £11,969. The Service confirmed that the correct amount had been charged and that a letter had been sent to the Service user, however a copy of this letter had not been retained on file. If the details provided in communication with service users are not clear, or are incorrect, there is a risk that vulnerable people or their representatives may be caused distress or confusion.

Recommendation

The Service should ensure that financial assessments, and letters, are checked by a second officer and confirmed as being complete and correct prior to being committed and sent to service users.

Service Response / Action

Agreed. Due to resource restrictions sample checking will be introduced.

Implementation Date

February 2018

Responsible Officer

Finance Support Officer

Grading

Significant within audited area

2.3 Residential Assessments

- 2.3.1 Service users requiring full time residential care may select either a Council or a private establishment. Where the Council commissions a residential placement this will be subject to the National Care Home Contract rate (currently £574.42 per week for residential, £667.09 for nursing care), however private Homes may charge self-funding residents a higher amount after the first 12 weeks.
- 2.3.2 Residents who decline an assessment, those with income in excess of the National rate plus a personal allowance of £26.40 per week, or who have capital of over £26,500, are expected to self-fund until their capital or income reduces below this threshold. Where income or capital is lower, a contribution, calculated through the Residential Financial Assessment, is required to be paid by the resident direct to the Home, with the Council making up the balance.
- 2.3.3 Certain benefits are disregarded while others cease after entry into a Care Home. Attendance Allowance is payable for the first 4 weeks and taken into account in calculating an assessment unless the person has been in respite or hospital for a period of 4 weeks or more prior to entry. Disability Living Allowance usually consists of 2 elements, a care element and a mobility element. The Care element should cease when a person enters residential care and as such this is disregarded from calculations. The mobility component is taken into account as income but is later disregarded as an allowable expense.
- 2.3.4 Procedures require bank statements to be sought for a period of 12 months for each account held in order to determine capital balances, undeclared income, or capital being withdrawn in an attempt to reduce liability to contribute towards care fees. However, in 5 of 10 cases, no bank statements had been obtained and in only one of these cases had they been requested. A further service user had provided a bank statement which was a year out of date, while another had only provided 4 months of statements. Examination of one service user's bank statements in conjunction with their application form showed that they had declared an occupational pension but this was not present on the statements provided, indicating that there may be another undeclared account. Additionally on the same bank statements (held in joint names) there were two pensions from the same provider and the Service had not queried whether or not one of these may be for the service user.

2.3.5 Service users or their representatives had been asked to sign Financial Mandates which can be sent to Banks and Building Societies to request copies of statements, up to date balances and details of all accounts held in the service user's name. However there were no records to show that letters had been issued to Banks / Building Societies or responses received. The Service stated that this was due to the authorisations being considered out of date due to delays in processing them. Without obtaining this information there is less assurance that all income and capital has been declared, and Service income may be reduced as a result.

<u>Recommendation</u>		
The Service should ensure that data in respect of bank accounts is obtained, reviewed, and challenged where appropriate, prior to concluding a financial assessment.		
<u>Service Response / Action</u>		
Agreed. To address this the team will issue the bank mandate requesting information as soon as assessments are submitted. A letter will be developed for the Care Management teams to be added into the initial assessment forms detailing the evidence requirements. Interim Assessments still need to be completed and may be based on partial data, as the circumstances of supported people might mean they or their family have limited access to supporting information. However, a follow up and escalation process will be agreed with Care Management for instances where required evidence has not been submitted.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
August 2018	Finance Support Officer	Significant within audited area

2.3.6 Where service users are in receipt of an occupational or private pension then an annual statement or pension payslip should be obtained in order to confirm the amounts being received. Confirmation that this had been obtained and reviewed was only held on file for 2 of 9 applicable instances. In one case the pension amounts were not clear: two figures were shown on the application form and the Service deducted one from the other rather than seeking clarification. Bank statements were also not obtained to verify the monthly income.

<u>Recommendation</u>		
The Service should ensure pension statements or payslips are obtained where service users are in receipt of an occupational / private pension.		
<u>Service Response / Action</u>		
Agreed. Action as per 2.3.5 above.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
August 2018	Finance Support Officer	Significant within audited area

2.3.7 Where capital is held in joint names then the value is shared between each named individual, even where they are not a spouse. In two of the cases examined accounts were held jointly between the Service user and the person holding power of attorney who had completed the application form on their behalf. In one case the full amount of capital had been included in the assessment, (though as it was still below the threshold there was no impact on the charge) and in the other only half had been included. Although it is possible that finances are held for mutual benefit there would be a conflict of interest for the person holding power of attorney. The Service has stated that where joint capital is lower than the threshold, further work is not necessary to establish the relevant share of ownership, as there is no impact on the assessment. Where there is a joint account in

excess of the threshold this is treated as being shared equally amongst the joint owners unless specifically declared by the bank that the account is being operated on behalf of the service user.

2.3.8 Service users' property may count towards their available capital. In some cases this may be on the market for sale, and in the interim the Council may obtain a charging order over the property to ensure fees accrued can be recovered at a later date. In order to determine their liability for fees it is necessary to first determine whether a service user has owned property. The application form clearly asks these questions, however in 4 instances these had not been answered.

2.3.9 The Service has access to a system which gives details of a service user's previous addresses and from this they can determine whether or not a service user owns their current residence or has owned previous property in which they were registered as having resided. Evidence of this having been reviewed is not however routinely retained.

Recommendation

The Service should ensure that where address checks have been performed, evidence of this is retained within the file.

Service Response / Action

Agreed. A screen shot will be taken and saved to the clients file.

Implementation Date

Implemented

Responsible Officer

Finance Support Officer

Grading

Important within audited area

2.3.10 However, while this may provide assurance over ownership of residences in which a service user has resided, there is no guarantee that they do not own other property in which they have not resided. The Service needs to ensure that the forms are fully completed in order to have assurance over this and other elements of service users' financial situations. It was noted that Care Managers typically assist service users completing these forms – the importance of full and accurate completion may need to be reinforced.

Recommendation

The Service should ensure that all parts of the form are completed and that forms are returned where they are incomplete.

Service Response / Action

Agreed. Few Service users are able to pay the full charge of £667.09 per week. Nursing homes are already aware that until a financial assessment is carried out they should charge the basic rate of £132.95 per week. Interim Assessments still need to be completed and may be based on partial data, as the circumstances of supported people might mean they or their family have limited access to supporting information. However, unsigned forms will be returned to Care Managers to have them signed, and a follow up and escalation process will be agreed with Care Management for instances where required evidence has not been submitted.

Implementation Date

August 2018

Responsible Officer

Finance Support Officer

Grading

Important within audited area

2.3.11 Where a service user retains ownership of a property and has entered residential care, expenses for ongoing home commitments, such as mortgages, council tax, telephone, gas and electricity, insurances and gas boiler servicing charges, are taken into account in

the financial assessment for a period of 6 weeks. After this time gas, electricity and telephone charges are not taken into account. The Service stated that supporting evidence of these expenses is not routinely sought. In one instance a monthly cost had been included in calculations as if it were weekly, due to it being incorrectly labelled on the application form. If the declared expenses are incorrect, assessments will be incorrect, potentially decreasing income for the Service.

<u>Recommendation</u>		
The Service should ensure that evidence of continuing home commitments is sought.		
<u>Service Response / Action</u>		
Agreed. The requirements will be reinforced with Care Managers.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
August 2018	Finance Support Officer	Significant within audited area

- 2.3.12 The financial assessment is calculated on the basis of weekly income and expenditure, and data provided for different periods (e.g. monthly, quarterly, annually) is converted into a weekly figure by the Service. No workings are retained, and in one instance it was apparent that a minor error had been made in calculating weekly pension income, and in another it was not clear whether a figure for gas boiler cover was weekly or monthly.

<u>Recommendation</u>		
The Service should retain all workings to support its calculations.		
<u>Service Response / Action</u>		
Agreed. A spreadsheet has now been implemented detailing workings as required.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Finance Support Officer	Important within audited area

- 2.3.13 Following completion of the assessment, the Service enters details to CareFirst, which completes the final calculation of the Service user's contribution. In each instance reviewed the values entered matched the application form or supporting evidence where this had been obtained.
- 2.3.14 The service user and Care Home should be notified of the contribution and the balance to be paid by the Council. Notification letters should be issued promptly following the assessment. The Service confirmed that there is a backlog of claims to be processed which has led to a delay in completing assessments. Notwithstanding this, notification letters were issued promptly following completion of each assessment.
- 2.3.15 Typographical errors were however noted in 3 instances in the notification letters. The first referred to the service user by the wrong name, the second (to the Care Home), gave an incorrect amount (£159.69 instead of £459.69) payable by the Council towards care costs, while a third gave incorrect dates (but correct figures) on the letter to the service user. This has the potential to cause confusion for service users and establishments.

Recommendation

The Service should ensure that notification letters are checked to ensure they contain the correct information prior to issue.

Service Response / Action

Agreed. Due to resource restrictions sample checking will be introduced.

Implementation Date

February 2018

Responsible Officer

Finance Support Officer

Grading

Important within audited area

AUDITORS: D Hughes
C Harvey
D Henderson

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.