

# Final Internal Audit Report

## Placement Deposits / Retainer Payments

### December 2021

Distribution: Interim Corporate Director Children, Families and Education  
Acting Corporate Director Health, Wellbeing and Adults  
Director of Quality, Commissioning and Performance Improvement  
Service Manager  
Head of Business and Service Compliance  
Interim Assistant Chief Executive  
Interim Corporate Director Resources

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

#### Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP 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.

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

**Contents**  
**Page****Executive Summary**

1. Introduction	3
2. Key Issues	3

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**Detailed Report**

3. Actions and Key Findings/Rationale	5
4. Priority 3 issue	10

**Appendices**

1. Terms of Reference
2. Definitions for Audit Opinions and Identified Issues
3. Statement of Responsibility

## 1. Introduction

- 1.1. Under the Care Act 2014 and the Children's Act 1989 the Council has a duty of care for vulnerable adults and children. Where vulnerable adults are unable to properly care for themselves, they will need to be placed in residential or nursing care. While the best place for most children and young people to live is with their family of origin, some will need to live with other carers for a short time or permanently.
- 1.2. In the Children's Services Team, retainer payments are made to service providers in order to secure placements for vulnerable children. Retainer payments are made in exceptional circumstances where a placement is required but the exact start date of the placement cannot be determined.
- 1.3. Placements are approved by the Care Panel on a weekly basis. Once a placement has been identified and a retainer payment is required, it is authorised by the Director of Early Help and Children's Social Care.
- 1.4. There were 39 retainer payments recorded in the case management software, Liquidlogic Childrens Recording System (CRS), between 1<sup>st</sup> April 2020 and 19<sup>th</sup> February 2021, at a value of £96,959.28.
- 1.5. The Head of Children's & Adults Placements & Brokerage confirmed that the Adults Service Team does not make retainer payments to secure placements for any of its' clients.
- 1.6. The fieldwork for this review was completed remotely during the Government measures put in place in response to COVID-19. While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.7. The audit was undertaken as part of the agreed Internal Audit Plan for 2020/21 based on a risk assessment. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## 2. Key Issues

### Priority 1 Issues

There was no policy in place regarding retainer payments, although we noted payments had only been made within Children's Services at the time of our review. **(Issue 1)**

### Priority 2 Issues

Testing of a sample of ten retainer payments within Children's Services identified two payments which had been incorrectly recorded in the Liquidlogic case management system. **(Issue 2)**

From our sample testing we also identified an instance in which a payment was made for a child that did not appear to have been referred to the Care Panel. **(Issue 3)**

**Priority 2 Issues (Contd.)**

The Service does not monitor the use of retainer payments through performance reporting or performance indicators. **(Issue 4)**

The priority 3 item is included under Section 4 below.

**2. Actions and Key Findings/Rationale**

**Audit Area: Regulatory, Organisational and Management Requirements**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
1	The Management Team have drafted a documented policy which was approved at CSLT on 05/10/2021. The policy is attached for review by internal Audit. This policy will be shared with the relevant staff and uploaded on our digital policy directory.	<p>In order to assist in the achievement of desired objectives and to help ensure consistency of approach, appropriate rules, procedures and guidance should be documented within a policy which is made available to all relevant staff.</p> <p>It was identified that the Council did not have a documented policy, which details the requirements and approach to the use of retainer payments, including guidelines for when a retainer would be appropriate and acceptable cost levels.</p> <p>For Children’s Services there were 39 retainer payments recorded in the case management software, Liquidlogic Childrens Recording System (CRS), between 1 April 2020 and 19 February 2021, totalling £96,959.28. There were no corresponding retainer payments identified for Adult Services.</p> <p>Where the Council’s rules, procedures and guidance around retainer payments are not documented within an approval policy, there is an increased risk that staff are not aware of when a retainer should be agreed, if at all, and how this should be recorded and managed. There is also the risk that staff cannot properly comply with requirements if these are not known.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Service Manager</td> <td>Implemented</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Service Manager	Implemented	
Responsible Officer	Deadline					
Service Manager	Implemented					

**Audit Area: Payment and Recording of Retainers**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
2	<p>The policy document as Issue 1 set's out that all requests for retainer's must be agreed at Care Panel in advance – or if agreed in an emergency (Approval by Director or HOS with delegated financial authority in the directors absence), must be reviewed at the next care panel – setting out the responsible officer who should make sure this happens.</p> <p>As below, these will be reviewed at our weekly placements operational meeting to ensure compliance.</p>	<p>Prior to a retainer payment for a placement being authorised, each placement referral is required to be considered and approved by a Care Panel.</p> <p>Testing of a sample of 10 instances where a placement retainer had been made identified one instance in which there was no record on file of the child being considered by a Care Panel prior to placement, but a retainer payment had been authorised in June 2020 and subsequently paid. Other documentation provided to us referred to 'funding being approved by Care Panel' but no minutes were available to corroborate this. The child was subsequently considered by a Care Panel in January 2021 when moving to a new placement.</p> <p>Where placements are not considered by a Care Panel, there is a risk that inappropriate placements are made that are either not in the best interest of the child or are not good value for money.</p>				
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Responsible Officer	Deadline					
Service Manager	December 2021					

## Placement Deposits / Retainer Payments 2020-21

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3				
2	<p>The Children's placement service has a weekly operational review meeting. Payments for placement retainers are checked to ensure recorded correctly.</p> <p>The policy as in Issue 1 combined with the updated "placement spending protocol" set out instructions to ensure retainers are recorded accurately.</p>	<p>Once placement and retainer costs have been identified, these are entered into CRS in order for the payments to be made to the agreed supplier.</p> <p>Testing of a sample of ten payments recorded as retainer payments in CRS identified two records which had been incorrectly recorded, as follows:</p> <ul style="list-style-type: none"> <li>• One payment which was marked as a retainer, but was for a placement period with a determined start date which did not require a retainer, and</li> <li>• One payment, which was authorised on the Placement Identification &amp; Finance Form as £450 (or £50 per day), had been entered into the system as £350.</li> </ul>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Service Manager</td> <td>December 2021</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Service Manager	December 2021	<p>Where details of retainer payments due are incorrectly recorded in the system, there is a risk of inaccurate financial reporting.</p>
Responsible Officer	Deadline					
Service Manager	December 2021					

**Audit Area: Performance Monitoring and Reporting**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
2	<p>Children’s placement costs have transferred to the Controcc system.</p> <p>In the weekly placement operational meeting, retainer’s agreed (if any) in the preceding week will be reviewed. This will be crosschecked against the actual recordings on CRS/Controc.</p> <p>CSC, since taking the placement service into our direct operational structure have already reduced the use of retainers significantly.</p> <p>To date - in the financial year 20/21 6 retainers (4 children) have been agreed with the total cost of £3,942.66.</p> <p>Given the work already undertaken, going forwards we will include the retainer costs committed and projected spend in the monthly financial reporting to senior managers. We feel that the reduced numbers would make a weekly KPI ineffective – that the inclusion in monthly financial reporting will be more effective</p>	<p>Retainer payments are expected to be used only in exceptional circumstances, therefore the setting of Performance Indicators (PIs) and monitoring of performance will assist in ensuring that retainer payments are not mis-used or unnecessarily incurred and that any issues can be identified and rectified.</p> <p>Discussion with the Service Manager confirmed that there was no performance reporting or monitoring of PIs in respect of the use of retainer payments.</p> <p>Where the use of retainer payments is not formally monitored and reported, there is a risk of mis-use or unnecessarily incurred retainers which could lead to financial loss for the Council.</p>



Placement Deposits / Retainer Payments 2020-21

	and provide director's oversight as well as operational monitoring.	
Responsible Officer	Deadline	
Service Manager/ Finance Manager/Head of Finance	Implemented	

**4. Priority 3 Issue**

Agreed Action	Finding
<p><b><u>Audit Area: Regulatory, Organisational and Management Requirements</u></b></p> <p>Agreed action: “Placements Spending Protocol” will be updated with the recommendations from the external audit.</p> <p>Deadline: 30/12/2021</p>	<p>The Council has a ‘Placements Spending Protocol’ document in place. This covers the roles and responsibilities of staff and the high-level process of identifying the need for a placement up to making payment.</p> <p>Review of the document found that, whilst this was generally simple to follow, it could be improved with the addition of information such as:</p> <ul style="list-style-type: none"> <li>i) Glossary to set out what each acronym is referring to;</li> <li>ii) Date in which the process is effective from;</li> <li>iii) Date document was reviewed and who approved it; and</li> <li>iv) Date of next expected review date</li> </ul> <p>Without this information, there is a risk that information within the document could be misunderstood or become outdated.</p>

## AUDIT TERMS OF REFERENCE

### Placement Retainer Payments

#### 1. INTRODUCTION

- 1.1 Under the Care Act 2014 and the Children's Act 1989 the Council has a duty of care for vulnerable adults and children. While the best place for most children and young people to live is with their family of origin, some will need to live with other carers for a short time or permanently. Likewise, where vulnerable adults are unable to properly care for themselves they will need to be placed in residential or nursing care.
- 1.2 This audit will look at where deposits are paid to secure appropriate care for children and / or adults and the controls over these.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2020/21.

#### 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 This audit included the following areas (and issues raised):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and management Requirements	1	0	1
Payment and recording of deposits	0	2	0
Return of Deposits	0	0	0
Performance Monitoring and Reporting	0	1	0
<b>Total</b>	<b>1</b>	<b>3</b>	<b>1</b>

## Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly 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 of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

**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.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP 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 by any third party is entirely at their own risk.

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