

Internal Audit Report ASC Debt Management 2024/25 Plymouth City Council

November 2024



devonassurancepartnership
Support, Assurance and Innovation

Audit Opinion

Limited Assurance - Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
--------------	-------------------	----------------------	-----------------------



Number of Actions

High	5
Medium	5
Low	1
Opportunity	0

Corporate Objective

Spending Money Wisely and Providing Quality Public Services. Adult Social Care Debt Recovery ensures money owed to the Council is effectively and promptly recovered and that service users are appropriately and accurately charged the amounts they are assessed to pay for the services they receive.

Risks or Areas Covered - Key Findings

1. **Accumulating ASC debt potentially leading to budget deficits may affect the ability to provide essential services; meet other financial obligations and damage the local authority's reputation and trust among residents and stakeholders.**
 - Ineffective ASC debt management decision making
 - Lack of robust write off procedures
 - Lack of up-to-date debt management policies
 - Ineffective monitoring of suspended invoices
 - Ineffective monitoring of individual ASC debt cases

Level of Assurance

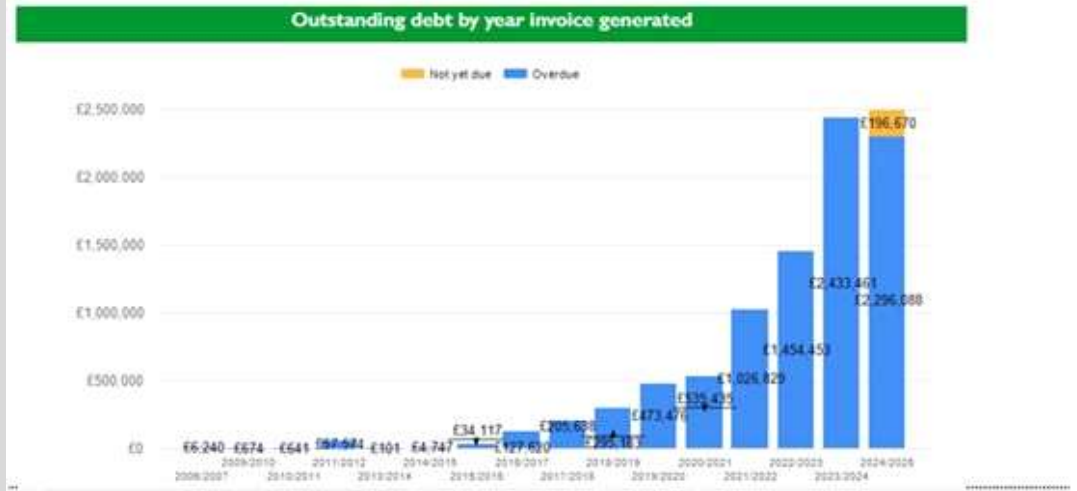
Limited Assurance

Background and Context

The Care Act 2014 gives local authorities legal powers to recover money for arranging and providing care and support services. These powers can be used if service users or their financial representatives refuse to pay the amount they have been assessed to pay. All local authorities are required to have a charging policy in place in relation to care and support being provided by Adult Social Care. The policy reflects the requirements of the Care and Support Statutory Guidance and includes a section on debt recovery which also refers back to the council's Income and Credit Management Policy.

Risks identified on the Plymouth City Council risk register include the escalating and sustained strain on the Adult Social Care (ASC) budget which in turn poses a risk of failing to meet statutory service obligations.

The current outstanding debt for ASC from client contributions stands at £8.9m, see chart opposite. 53% of this debt is related to invoices raised from April 2023, the remaining outstanding debt (47%) is related to invoices raised before this date. It is noted that there are invoices outstanding for some clients year on year.



Executive Summary

The Income Recovery team are responsible for debt recovery including ASC debt. At the present time priority is being given to in year debt and high level debt (over £10k) across the council. Recovery of ASC debt from client contributions can be complex and time consuming, which may require input from other departments and external agencies, often who are experiencing their own resource difficulties. Debt is often unsecured and once a service user passes away recovery becomes more challenging and there is a higher risk of it becoming irrecoverable. There are further complications if the service user is suspected or known not to have mental capacity to make financial decisions and if family members or "financial representatives" are uncooperative or unsupportive. There is no legal framework for "financial representatives", so when family or friends have taken on this role and do not wish to apply for LPA or deputyship, they can be difficult to engage. With Income Recovery Team resources limited, cases cannot be monitored and debts chased with enough regularity to prompt payment. Time delays between contacts can be significant and allows the "Financial Representative" opportunity to stall for time by repeatedly challenging assessments or querying correspondence.

It was noted that the Income Recovery Team is due to lose a member of staff during October who cannot be replaced impacting on the already stretched resource. In addition, the Legal Team do not currently have capacity to manage all of the debt recovery cases referred to them.

A Business Case for the purchase and implementation of Better Care Finance has recently been submitted and agreed. The system will allow service users to complete their own online self-assessment which will automatically advise the service user of the exact charge upfront. There has been a long standing issue with service users/or financial representatives stating that they have never been informed of a charge for services and, at times, this has been difficult to prove resulting in non-payment of invoices. It is expected that Better Care Finance will resolve the issue of service users claiming that "they did not know they had to pay" and improve collection rates as the service user can decide not to proceed with the service request if they do not wish to pay the assessed contribution.

There is "Limited Assurance" that ASC debt is effectively and promptly recovered. This audit opinion has been reached based on the following observations:

- Policies are out of date and have not been reviewed;
- Write off procedures do not ensure requests are approved within the Service Area prior to agreement by the Service Director for Finance;
- ASC Debt Meetings were discontinued and although recently restarted would benefit from a Terms of Reference to ensure members are clear on the objectives and their responsibilities;
- Insufficient monitoring and chasing of high risk debt including unsecured debt in the name of Executors;
- Debts from Devon ICB not paid regularly affecting collection rates and impacting on staff time;
- Bad debt provision is understated and calculation methods could be reviewed to improve accuracy based on individual risk;
- Inaccurate / overstated debtors accounts where debt is considered not recoverable but remaining on Debtors showing as recoverable.

The detailed findings and our observations regarding these issues are described in Appendix A. Our observations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are also given in the Appendices to this report. Management have agreed an action plan as attached at Appendix A.

Detailed Observations and Action Plan

1. Risk Area: Accumulating ASC debt potentially leading to budget deficits may affect the ability to provide essential services; meet other financial obligations and damage the local authority's reputation and trust among residents and stakeholders.

Level of Assurance

Limited Assurance

Opinion Statement:

The Bad Debt Write Off Procedure (2021) sets out to define the write off function within the Council and is underpinned by the Income and Credit Management Policy and Financial Regulations. The Income and Credit Management Policy has not been reviewed since 2017 and the Charging Policy for ASC Services based on the statutory requirements of Care Act 2014 has not been reviewed since 2019.

The Bad Debt Write Off Procedure does not specifically refer to ASC debt, which is often sensitive, complex and of a significant value with the potential for the debtor to be in receipt of continued services and therefore increasing debt. In addition, Livewell Southwest (LWSW) who hold the caseload of ASC service users may have a more comprehensive overview of individual cases, but the budget (and therefore any bad debt) is held by ASC.

ASC debt can theoretically be put forward for write off and be authorised by the Service Director for Finance without the knowledge or approval of the Head of ASC and Retained Function. Whilst, in practice, conversations are had to ensure the Head of ASC and Retained Function is aware and approves the write off request, the requirement for formal approval is not included in the policy and therefore there is a risk that this step could be missed.

The write off process within Income Recovery was followed in the cases reviewed during the audit with evidence and authorisations held on file. It was noted that there was a lack of separation of duties in the inputting and authorisation of the write off within the debtors system. To mitigate the risk of someone inputting an unauthorised write off, exception reports are produced from Debtors, checked by the Team Leader and retained for future reference.

Regular debt meetings attended by key stakeholders was put in place in 2019 to discuss the ASC debt position, review collection rates, review the bad debt provision and identify cases with high level debt to discuss and agree actions and identify trends. These meetings improved communication and collaborative working between departments and agencies involved with ASC. However, due to staff changes these meetings fell by the wayside and have only recently been resurrected. In order to maximise the potential for these meetings a Terms of Reference should be drawn up to ensure stakeholders are aware of the purpose of the meetings and their responsibilities.

Delays in payment from the Devon ICB has been reported which negatively affects the Income Recovery Team's collection rates and places additional work pressures on the team to monitor. In March 2024 £18m was being withheld by the Devon ICB due to a separate issue which could potentially affect the Council's cashflow position. There have been some concerns raised regarding the process for joint funded cases and this will be subject to a separate audit later this year.

The ASC Bad Debt Provision, based on current calculations and parameters set, is understated. Parameters within the calculation of the bad debt provision do not take into account risk factors related to individual cases with only a high level approach applied based on the age of the debt and stage of recovery. The ASC Bad Debt provision would benefit from review and should be updated to include a risk-based approach alongside the high level aged debt parameters to better reflect the Councils ASC bad debt position.

Processes are in place for the collection of ASC debt. However, after two automated reminders have been sent, automatic recovery action ceases and reliance is placed on the Income Recovery Team working through the "SSCARE" report of outstanding ASC debt and following up with emails or phone calls. Due to

the level of debt owed across the Council, the Income Recovery Team have prioritised in-year and over £10k debt, resulting in less focus on ASC debt (below £10k). Invoices for client contributions are often ongoing and therefore service users will realise very quickly that once two reminders have been sent, very little action is taken against the debtor.

In the ASC debt cases reviewed, significant gaps between following up on overdue debt was seen, along with stalling or questioning tactics from financial representatives resulting in little or no income being recovered in some cases. It was also noted that financial representatives and/or family members would sometimes state that they were applying for deputyship or for Lasting Power of Attorney (LPA) but no evidence was requested to ensure that this was correct. It is possible that claiming an application for legal status is in process could also be a stalling tactic.

No.	Observation and Implications	Impact / Priority	Management response and action plan including responsible officer
1.1	<p><u>Ineffective ASC Debt Management Decision Making</u> In 2019 an ASC Debt Recovery and Income Collection Project plan was put in place to facilitate improved communication between all stakeholders in relation to ASC debt and for members to actively contribute to the meetings and action points. The aim of the project plan was to improve working relationships and collaboration between PCC and Livewell Southwest with a focus on debt recovery and to increase collection rates. As a result of the project, a monthly debt meeting was put in place to identify cases with high levels of debt, to discuss and agree action to take and to enable forecasts to be adjusted to ensure a more accurate financial position was reported. An additional aim was to highlight trends which, if addressed, could lead to improved income collection overall.</p> <p>The debt meetings ceased for a period of time but have very recently been resurrected. A number of staff changes has resulted in some of the original aims and objectives being lost and the meetings currently lack some direction. However, it is recognised that it is early days and there is a commitment to use the meetings to make a positive difference to ASC debt recovery.</p> <p>Recommendation: Effective communication and collaboration between stakeholders is crucial in understanding and preventing debt accumulation.</p>	<p>High</p>	<p>ASC Debt meetings have been reinstated and the agenda includes objectives and frequency of meetings. This will be formalised into a Terms of Reference incorporating the areas to include as per recommendation.</p> <p>ToR to outline the governance of ASC Debt Meetings and how identified risks are escalated.</p>

	<p>In order to maximise the full potential of the reinstated Debt Meetings it is important that members recognise the significance of the meetings and their strategic importance for ASC finance. A Terms of Reference should be drawn up and distributed to all attendees to include:</p> <ul style="list-style-type: none"> • the key objectives of the meetings; • frequency of meetings; • a set agenda with regular items plus any additional points for discussion; • responsibility for co-ordinating meetings, agenda items, action points; • identify the expected regular attendees/representatives (e.g. Legal, Finance, LWSW, Income Recovery, Deputyship); • expectations of members based on the principles of a RACI matrix (i.e.. who needs to attend every meeting, who should be informed of decisions, responsibility for actions etc); • identify specialised area representatives who may be required for specific meetings/agenda items (e.g. Operations Development / Counter Fraud). 	High	<p>Responsible Officer: Head of ASC and Retained Functions (SB)</p> <p>Target Date: 31/12/2024</p>
<p>1.2</p>	<p><u>Lack of robust write off procedures</u> The Bad Debt Write Off Procedures do not take into account the situation in ASC where LWSW manage the day-to-day services for ASC clients and could be in a position to suggest a debt be written off. The procedures do not state that this must be approved by the budget holder (ie. Head of ASC and Retained Function or Strategic Director A,H & C prior to being submitted to Income Recovery for approval at Corporate Management level.</p> <p>Four ASC write offs were reviewed. Whilst at a corporate level write offs had been authorised by senior management, there was no evidence on file that ASC management had approved the write offs. Whilst it was advised that discussions did take place, no evidence was seen. The service area may not have had the opportunity to carry out their own authorisation or due diligence on the</p>		<p>An additional step to be built into the write off process to ensure that instruction for write off only comes from ASC management. Process to be reiterated to all, including LWSW, at ASC Debt meeting.</p> <p>Requests for write off to be agreed at ASC Debt Meetings.</p> <p>Responsible Officer: Head of ASC and Retained Function (SB) Target Date: 31/12/2024</p> <p>Income Recovery Team will ensure approval from ASC budget holder is in place prior to submitting to Service Director for Finance for write off approval. LWSW does not have delegated authority to approve write offs.</p> <p>Income Recovery Team Leader to review processes for pursuit of debt from Executors and explore ways of maximising engagement and debt recovery from Executors.</p>

recovery prior to write off.

The following observations were also noted:

- Debtor No. 072001 - there was a potential conflict of interest where LWSW requested a write off on an account due to a safeguarding enquiry where the daughter of the client also worked for LWSW. The write off for £22,217.67 was approved by the Service Director for Finance but there was no evidence it had been approved prior to this by ASC;
- Debtor No. 058325 - a "deceased" letter was sent to the Executor after a three-month gap. There was no reply from the Executor and a delay of a further nine months before this was chased up. Bank statements provided showed cash withdrawals after service user had passed away. Amount written off £4,750.51
- Debtor 052934 - awaiting deputyship. Accounts frozen during covid. Debt of £13,931.75 written off when Deputyship confirmed no funds.
- Debtor 050624 - one three monthly bank statement was received but showed no activity on the account, leading to the question as to whether there were other bank accounts not seen. Write off of £16,732.25 with a previous write off of £21k.

During the audit, the large write offs seen were related to accounts in the name of executors. There is potentially an increased risk of non-payment for cases in the name of executors particularly if the debt is unsecured and the executor is not a solicitor. It is acknowledged that the number of write offs which were in the name of executors maybe due, in part, to the perseverance in pursuing outstanding debt and it is only when the service user has passed away that cases are recommended for write off.

Recommendation:

Bad Debt Procedures should be updated to ensure that an

Responsible Officer: Income Recovery Team Leader (CC)
Target Date: 31/1/2025

	<p>additional approval step is put in place to ensure all write off requests are formally approved by the budget holder, prior to being submitted to Income Recovery and authorisation by the Service Director for Finance. All approvals for write offs should be retained on file for future reference.</p> <p>Review processes for the pursuit of debt from Executors and ensure all is being done to maximise the chances of recovery i.e..</p> <ul style="list-style-type: none"> • Ensuring an up to date next of kin on record; • Establishing the Executor early on and, if not being dealt with by a solicitor, ensure contact details are up to date; • Regular review and contact with Executor to ensure position of estate is understood to ensure follow up is timely but not intrusive; • Ensure Executors are clear on what information the Council requires as evidence and try to obtain this at the earliest opportunity; • Consideration as to whether enough documentation has been obtained to base a decision and to fully document rationale. 		<p>Responsible Officer: Head of ASC and Retained Function (SB)</p> <p>Income Recovery Team Leader (CC)</p> <p>Target Date: 31/12/2024 and 31/1/2025</p>
<p>1.3</p>	<p><u>Lack of up to date debt management policies</u> Policies are in place but have not been reviewed (or where they have, the revised versions have not been approved). Therefore, old policies remain in place and this has been raised in previous ASC audits and Debtors audits including the latest Debtors audit issued in May 2024.</p> <p>The Income and Credit Management Policy 2017 refers to the "Fairer Charging Policy" which was superseded by the "Charging Policy" and introduced in line with the Care Act 2014. Appendix 5 lays out the collection of income for ASC according to the Care Act 2014 and the considerations which need to be taken into account when recovering debt from vulnerable service users. Any debt occurring after the Care Act 2014 came into effect must be recovered within six years of the monies becoming due</p>	<p>High</p>	<p>Income and Credit Management Policy to be reviewed to include review of ASC debt recovery and potential use of enforcement agencies. Awaiting trial of this approach in another Local Authority.</p> <p>Responsible Officer: Head of Revenues, Benefits and Service Centre (PW) Target Date: 31/1/2025</p> <p>Charging Policy to be reviewed by Head of ASC and Retained Function with Income Recovery/Client Financial Services Team Leader and Operations Development Manager to ensure policy is up to date and to review local decisions to ensure income is maximised.</p>

	<p>otherwise the debt will be written off.</p> <p>The Charging Policy was amended after the Direct Payments audit in October 2023 which highlighted that the policy wording conflicted with current Direct Payment processes. However, the amended version was not approved and so the Charging Policy 2019 is the version currently published.</p> <p>Recommendation: The Income and Credit Management Policy (2017) should be reviewed and if necessary, brought up to date. The same applies to the Charging Policy (2019) which should include amendments made to bring in line with current practices for Direct Payments.</p>	High	<p>The reviewed Charging Policy to include the new online financial self-assessment system (Better Care Finance). The aim is to have a draft by January 2025 and publish a final version in April 2025.</p> <p>Responsible Officer: Head of ASC and Retained Function (SB) Target Date: 30/4/2025</p>
			<p>Responsible Officer: Head of Revenues, Benefits and Service Centre (PW) and Head of ASC and Retained Function (SB),</p> <p style="text-align: right;">Target Date: 30/4/2025</p>
1.4	<p><u>Ineffective monitoring of suspended invoices</u> As at 4 June 2024 there were 2841 Adult Social Care invoices where recovery had been suspended totalling £3,601,797.48. Recovery action is suspended for a variety of legitimate reasons, however, if they are not regularly checked and action taken this may result in debts becoming irrecoverable and falsely inflating expected income. The Income Collection Team Leader confirmed that it is usual to suspend an account once a client passes away and this will remain in place until the account is closed as cases are monitored through other reports.</p> <p>Five cases were selected at random from the suspended report to identify the reasons why recovery action was suspended. All were suspended for a legitimate reason. The following was noted:</p> <ol style="list-style-type: none"> 069367- Amount outstanding £2,938.10. Complaint made by Financial Representative regarding CFS and LWSW. Response provided by CFS but response from LWSW still outstanding 7 1/2 months from complaint. Recovery action cannot commence until complaint has been investigated and response provided to the Financial 	High	<p>One team member has been assigned to the suspended invoices report, however, there is insufficient resources to check and chase debt as regularly as would like.</p> <p>In cases where Legal Services recommend that a debt is irrecoverable, these cases will be taken to the ASC Debt meetings for discussion and possible write off.</p> <p>As per 1.2 above, processes to be reviewed and a more risk based approach to high value/high risk cases to be taken.</p> <p>Where “bottlenecks” in other teams, departments hinder debt recovery this will be highlighted at the ASC Debt Management meetings for monitoring or action as necessary.</p>

	<p>Representative.</p> <p>2. 061866 - Amount outstanding £64,931.03. Invoices were not being paid despite a property being sold proceeds of which could not be located. Legal involved since 2017. In 2021 Legal advised that recovery would be unlikely as there was no property on which to place a charge, however, fraud was suspected and therefore advised to refer to the Counter Fraud Team.</p> <p>3. 021159 - Amount outstanding £15,037.86 as at 4/9/24 and growing weekly. Recovery suspended when client found not to have capacity in June 2023 whilst asking for family member to apply for LPA or Deputyship. Family uncooperative regarding information. Last update on file was July 2024 asking who has access to bank statements. No contact from family. Significant gaps in chasing family members and waiting for responses. Case has not moved on in the past year with mounting debts.</p> <p>4. 069367 - Amount outstanding £7,220.29. Property was sold in 2021. Financial Representative only appeared to pay when chased by the Income Recovery Team. The client then passed away in March 2023 and recovery action was suspended. No further action appears to have been taken on the account. As the property was sold in 2021 and the client passed away 18 months ago it is questionable whether this debt will now be recoverable as it is possible the estate may have been finalised.</p> <p>5. 071340 - Amount outstanding £286.72. Original charge disputed and a credit note issued with a statement of remaining balance on 15/5/24. No response from Financial Representative.</p> <p>A certain amount of delaying and avoidance tactics used by some families and financial representatives together with infrequent chasing on these accounts has led to balances remaining outstanding and recovery action</p>		
--	--	--	--

stalling. Once the client passes away then it becomes even more difficult to follow the money trail and recover amounts due.

Reliance on other departments/agencies to complete work also impacts the ability to collect debt as seen in examples 1 and 2 above.

A debt considered to be unrecoverable but still referred to Counter Fraud for investigation (see example 2 above), and remaining in the debtors system may result in the Debtors being overstated in the Councils Financial Statement. Income is immediately allocated to the departmental budget when the invoice is raised and will be recovered from that budget in the event of the debt being written off.

Recommendation:

The suspended cases report should be reviewed to ensure all suspended invoices/accounts are still appropriate. Regular monitoring of the report and following up on outstanding information or co-operation from families/financial representatives should be carried out and the suspended status removed as soon as possible.

Each account should be considered independently but when a high value balance is deemed unlikely to be recovered by Legal Services and has been referred to Counter Fraud (which is likely to take a considerable time to investigate) it may be worth considering write off from the accounts so it does not over inflate recoverable council debt. If the debt or partial debt is recovered by Counter Fraud it can always be written back on into the accounts.

When it is suspected that a family or financial representative is being evasive or deliberately stalling or avoiding contact, a risk-based approach should be applied with more focus and concentrated chasing on high value or increasing balances with the highest risks of money or assets disappearing. Where application for LPA or

	<p>Deputyship is claimed, in high risk cases evidence should be sought at the earliest point to ensure claims are accurate.</p> <p>When recovery action cannot be taken due to work being undertaken in other areas e.g. Complaints Team, LWSW, Legal or Counter Fraud, they should be aware that the debt cannot be pursued until their role is completed and until that time debts will continue to be shown as income and if irrecoverable will falsely inflate the financial statement and impact the ASC budget.</p>	High	<p>Responsible Officer: Income Recovery Team Leader (CC) Target Date: 31/1/2025</p>
<p>1.5</p>	<p><u>Ineffective monitoring of individual ASC debt cases</u> The ASC Debt Report (SSCARE) shows outstanding debt for ASC from 2009 to date (less 1 month). There is no specific focus in the Income Recovery Team on ASC debt as it forms part of the wider debt recovery for the council. Focus currently is on high level debt and in-year debt across the Council which will include ASC as part of this. In addition, some work is also carried out on the SSCARE report on an ad hoc basis.</p> <p>Due to ongoing high weekly costs for some services, the vulnerability and mental capacity of some debtors and potential financial interests of family members, ASC debt is a high risk area where debts can mount up quickly. If invoices are not paid on time and there is not regular contact between the council and family members or financial representatives, the recovery of some of these large balances can be complex and resource heavy once the client passes away. In addition, this debt is often unsecured which increases the risk of non-recovery.</p> <p>The SSCARE report for 2 July 2024 was reviewed and at that time there were 9709 invoices outstanding totalling £5,696,824.24. There were 25 accounts which owed in excess of £10k each. At 1 September the SSCARE report showed £5,739,503.73 outstanding. Six cases from the July SSCARE were reviewed in more detail and evidence of delays in chasing up debt identified and stalling from</p>		<p>As per 1.4 above, Income Recovery to review processes and consider using a risk based approach to high risk/high value cases, particularly where an “unwillingness” to pay is suspected rather than an “unable” to pay. Explore whether more can be done to obtain evidence in the early stages of applications for LPAs to ensure this is not used as a stalling tactic from financial representatives.</p> <p>Responsible Officer: Income Recovery Team Leader (CC) Target Date : 31/1/2025</p> <p>Ensure that bottlenecks and resource issues, which prevent and hinder debt recovery, are discussed at ASC Debt Meetings to understand the reasons and risks. Where appropriate resource issues that delay debt recovery to be escalated to DMT.</p> <p>Responsible Officer: Head of ASC and Retained Function (SB) Target Date: 31/1/2025</p> <p><u>Legal Services Comment:</u></p> <p>At present the Legal Team would not have capacity to manage all of the ASC debt. However, the work of Legal services is impacted by delays within the debt recovery team where the processing of recovery action is not undertaken quickly enough, so by the time matters get to legal the debts are much larger and more difficult to recover. The whole process needs an overhaul</p>

<p>family members particularly with regard for taking ownership of applying for LPA or Deputyship. However, in one case efforts from the Income Recovery Team regularly following up on a relative applying for Deputyship resulted in the full payment of £135,221.40 on 10/9/24. Details of the remaining five cases are as follows:</p> <ol style="list-style-type: none">1. Debtor 057786. Balance outstanding £147,274.83. Regular payments were being made but ceased in 2020. Niece was named as Financial Representative and client was reassessed to include a property with invoices backdated to a cost of £90,887.39 and on-going full charge of £683 weekly. Care home did provide evidence that niece had applied for deputyship to enable the property to be sold. Follow up was not regular and it was difficult to make contact with the niece. The deputyship and house sale did not appear to progress with final contact made with niece in April 2024. Case was picked up again in June 2024 but the chase up was sent to PCC Deputyship instead of the niece so no further action taken. This case has been raised with the Income Recovery Team Leader.2. Debtor 069641. Balance outstanding £127,586.91. Client is elderly with advanced dementia. Full cost is being charged as financial assessment cannot be carried out without access to bank statements. Family are not prepared to apply for LPA or deputyship but there was a year waiting for confirmation of this. Case submitted to PCC Deputyship in 2022 but still on waiting list as at June 2024. If client passes away before a financial assessment can be undertaken it will be difficult to ascertain the client's estate afterwards and the debt may be irrecoverable.3. Debtor 075583. Balance outstanding £64,766.57. Grandson states he is applying for deputyship in		<p>and investment to make it more efficient and to provide capacity for recovery of all outstanding debts, starting with the way the finance team manage recovery to the legal team taking on an extra lawyer with a specialism in ASC debt recovery.</p>
--	--	---

	<p>April 2023. In July 2024 grandson still states he is applying for deputyship, however it is not clear whether the process actually commenced in 2023. There is evidence of chasing emails sent with no response from the grandson.</p> <p>4. Debtor 066320. Balance outstanding £5,600.39. Debt dating back to 2019. Case was suspended in 2021 as part of the agreement not to invoice Keyham residents for a period of time. Letter with summary of balance sent in December 2022 - no response and no follow up from Income Recovery.</p> <p>5. Debtor 073664. Balance outstanding £52,117.23. Care home confirmed daughter had LPA and provided documents to evidence this. LPA did not declare client owned part share of a property and money moved from client's account to another account. Stalling and avoidance from the LPA in relation to chasing for payment. LPA admitted not reading emails. Client passed away in September 2022 and it was found the person holding LPA had a different date of birth to the daughter. Letters to Next of Kin to inform funds cannot be spent until all debtors paid, no reply. Case referred to Legal Services to see if a charge can be placed on the property. Legal have so far been unable to progress due to capacity issues.</p> <p>Evidence was seen above of recovery action being prevented due to capacity issues which may result in debts being irrecoverable and financial statement being overstated. Additionally, evidence was seen of debts not being regularly chased with long gaps between attempted contact with family members and financial representatives, and in one case, an error made in chasing PCC deputyship instead of the family member. In two cases stalling by family members claiming to have or have applied for deputyship either without evidence or with</p>		
--	--	--	--

	<p>potentially fake evidence has also delayed recovery.</p> <p>Recommendation: Capacity within teams involved in the recovery of debt should be under constant review. Recovery of debt in complex areas such as ASC is resource heavy, PCC Senior Management should consider whether the benefits of investing in sufficient capacity across Income Recovery, Deputyship and Legal Services to enable an effective and efficient means to recover debt outweighs the costs this will incur. The risks of not doing so is that debt recovery may become more challenging if the public believes debts will not be vigorously pursued.</p> <p>Income Recovery should consider if more can be done when family members agree to apply for LPA or deputyship and whether evidence should be requested and followed up on. Finding a way to identify high risk cases and focus more attention on them may send out a message that cases are monitored closely and act as a deterrent.</p>		<p>Responsible Officer: Head of ASC and Retained Function (SB) and Income Recovery Team Leader (CC)</p> <p>Target Date: 31/12/2024</p>
1.6	<p><u>Unpaid Devon Integrated Care Board (ICB) Invoices</u> Residential Care which is fully or partially funded by Devon ICB is paid by the Council in the first instance and recharged to the Devon ICB on invoice. There are sometimes delays in the payment of these invoices which negatively impacts collection rate figures for the Income Recovery Team. During the latter part of 2023/24 Devon ICB withheld payment for a number of invoices due to a separate dispute. Payment was eventually made in March 2024 of £18m covering a number of invoices.</p> <p>In this case, there was a lack of effective communication between decision makers, Income Recovery and Finance which resulted in:</p> <ul style="list-style-type: none"> • Officers chasing debt which had been agreed to be put on a temporary hold; • Finance being unaware payments had not been 	Medium	<p>This is not expected to be an ongoing issue, however, learning from last year's dispute will be applied going forward. As soon as it is known that an invoice is being disputed Finance will contact the income recovery team to hold invoices being chased.</p>

	<p>made;</p> <ul style="list-style-type: none"> Income Recovery not being aware when payment was finally made. <p>The withholding of such a large amount negatively affected Income Collection performance rates, placed additional unnecessary work pressures on the Income Recovery Team and ASC Finance and could potentially have affected the Council's cashflow position.</p> <p>Recommendation: Communication should be improved between decision makers, ASC Finance and Income Recovery to ensure that time is not wasted in chasing debts which have been temporarily placed on hold whilst a dispute or other arrangement is concluded.</p>		
1.7	<p><u>Understated Bad Debt Provision</u> The opening balance of the bad debt provision for ASC for 24/25 was -£1,571,893.77. In year write offs to September 2024 totalled £98,269.43. The calculated bad debt provision based on the provision calculations was estimated at -£2,184,628.14. An adjustment of -£711,003.80 would be required to balance the bad debt provision, however, this would have a negative impact on the ASC budget.</p> <p>As soon as an invoice is raised, the projected income is automatically credited to the ASC budget. If the debt becomes irrecoverable and is written off, then that amount must be recovered from the ASC budget. With a bad debt provision shortfall of over £700k (based on the estimate) the ASC budget is inaccurately overinflated which would have to be paid back into the central fund if the debts are written off.</p> <p>Recommendations: The ASC bad debt provision should reflect the calculated risk in order for the service area to accurately and completely report their financial position.</p>	Medium	<p>The Finance team will carry out a full review of the methodology of calculating the ASC Bad Debt Provision, to ensure that recommendations in 1.7 and 1.9 are considered, and that the provision going forward shows a more accurate view of debt risk and that any financial impact as a result is factored into the revenue monitoring position.</p>
			<p>Responsible Officer: Lead Accountancy Manager (HS) Target Date: Implemented</p>
			<p>Responsible Officer: Lead Accountancy Manager (HS) Target Date: 31/1/2025</p>

<p>1.8</p>	<p><u>Closed investigation leaving irrecoverable debt showing as recoverable on Debtors system</u></p> <p>One case reviewed during the audit had an outstanding balance in excess of £64k. There had been a number of difficulties ongoing from 2017 and Legal Services had been involved. There was a suspicion of fraud and a police investigation. In 2021 the case was referred to Counter Fraud in relation to alleged missing funds of approximately £93k from the sale of a property. Legal Services advised at this time that the £64k debt was likely to be irrecoverable as the money had not been traced and there was no longer a property in which to place a charge.</p> <p>There is evidence on the debtors system of follow up emails to Counter Fraud up to March 2022.</p> <p>The debt remains on the Debtors system despite there being little or no chance of recovery. Counter Fraud have stated that they closed a number of cases down that they could not pursue but no evidence could be found of Income Recovery or Legal Services being informed of this decision. In the specific case reviewed during the audit, it was believed that the case was still being actively investigated by Counter Fraud, which is not the case.</p> <p>Recommendation: If advised by Legal Services that a debt is likely to be irrecoverable, it should be referred to the appropriate manager to make a decision on whether the debt should be written off, ensuring that income is not overstated, or at least a provision is made in the bad debt reserve. A debt can be written back on if it is recovered once an investigation is complete. (Recommendation covered in 1.4 above)</p> <p>Regular updates should be provided to the relevant departments who have requested Counter Fraud's services on each case they are working with. When a case is closed to Counter Fraud this should be communicated back to the relevant department manager</p>	<p>Medium</p>	<p>Standard procedure would be that a report would be provided whenever a case is closed down, I can't confirm whether reports went out on the cases that were mentioned, as they would have been attached onto our old fraud system. We have standard report formats now, which must be completed by an investigator when submitting a case for closure, whether it is being recommended that action is taken or just closed down as no further action, and these should be provided to the department that refers the fraud to us.</p> <p>The cases that were previously investigated were stopped multiple years ago, I can't say for certain, but I believe in 2022. From my recollection, I met with the previous Legal Assistant before they left, and we discussed how none of the cases could be progressed for the reasons I mentioned, and I believe after he left, someone else e-mailed to ask about them and they were advised that they had already been stopped from our end. If legal were not successfully notified of the outcome of the cases, that would have been an error on my part, as standard procedure would be to send a closure report (or at least an e-mail).</p> <p>From our current position, we have no current live cases related to Adult Social Care debt. But any future cases that may be referred to us, will always have a closure report sent over.</p> <p>I'm happy to assist in an exercise to look at cases that have been referred to the Counter Fraud team, to make sure that they can all be successfully updated by legal, should it be required.</p>
------------	--	---------------	---

	<p>and evidenced so that action can be taken to write off debt or close the case down within the originating department as appropriate.</p> <p>An exercise should be undertaken to identify any cases that were referred to Counter Fraud and subsequently closed to ensure the originating department have been informed of the closure.</p>		<p>Responsible Officer: Senior Counter Fraud Officer (PB)</p> <p>Target Date: Implemented</p>
<p>1.9</p>	<p>Insufficient bad debt provision, calculations do not adequately reflect risk of recovery.</p> <p>The bad debt provision calculator applies a percentage bad debt provision based on high level criteria such as age of debt, recovery status, account name (ie if the account is in the name of an Executor) or if the debtor is health funded or an ASC provider. This then feeds into the summary sheet for the bad debt provision and the final bad debt reserve needed.</p> <p>The calculator relies on assumptions which may be overly optimistic such as:</p> <ul style="list-style-type: none"> • Debts 6 years or older are given a 95% provision, suggesting that 5% will be recovered; • Accounts in the name of "The Executor" are awarded zero provision, indicating 100% recovery. However, in some cases this could be a high risk area due to the debt being unsecured. When debts have not been paid during the client's lifetime it is optimistic to assume that 100% of the debt will be recovered from the Executor, who may well be the same Financial Representative who withheld payment previously. <p>Deputyship and Charging Orders are also given zero provision. The spreadsheet does not specify whether this is applied for or if in place. With very long waiting lists for Deputyship, Court of Protection, Legal Services and Land Registry the sad fact is that people pass away before the legal framework can be put in place, leaving debts</p>	<p>Medium</p>	<p>The Finance team will carry out a full review of the methodology of calculating the ASC Bad Debt Provision, to ensure that recommendations in 1.7 and 1.9 are considered, and that the provision going forward shows a more accurate view of debt risk and that any financial impact as a result is factored into the revenue monitoring position</p>

	<p>vulnerable.</p> <p>The bad debt provision calculator based on age of debt and recovery status alone is high level and whilst it gives a basic general estimate of potential uncollectable debt could be refined to provide the service area with a more accurate risk based bad debt provision.</p> <p>Recommendation: The bad debt provision calculator should be sense checked to ensure the factors are appropriate. In addition to the calculator, a risk-based approach to the individual debts should be included and a RAG rating allocated based on a predetermined criteria such as:</p> <ul style="list-style-type: none"> • mental capacity; • previous payment history/client debt issues/previous debt written off; • size of debt (based on client not invoice); • if estate is being managed by a solicitor; • whether there is a property involved; • financial representative, family, safeguarding concerns; • co-operation of client/financial representative (including where full charge is applied due to non-disclosure during financial assessment); • suspected fraud; • awaiting input from other service areas/agencies (eg. Deputyship, Court of Protection, Legal Services, Counter Fraud etc). <p>An additional tab could be added to the bad debt spreadsheet to incorporate the above and feed into the overall bad debt provision. The bad debt provision calculator and risk approach tool should be agreed by managers and form part of the Bad Debt Policy for ASC.</p>		<p>Responsible Officer: Lead Accountancy Manager (HS)</p> <p>Target Date: 31/1/2025</p>
--	--	--	---

<p>1.10</p>	<p><u>"Free Text" Exception Report identifies cases where correspondence may not be sent due to incorrect input</u> As raised in previous audit reports a "free-text financial representative" remains in 17 cases as shown in the Dashboard exception report. This is a field which should not be completed and may prevent the issue of correspondence and/or invoices.</p> <p>It is understood that the Eclipse upgrade has removed the issue with the "Free Text" box for new cases, however, 17 pre-migration cases currently remain with this error notification.</p> <p>Recommendation: An exercise should be undertaken to clear up the final 17 "free text representatives" cases.</p>	<p>Medium</p>	<p>Cases continue to be worked through and removed. Currently down to 15 pre-migration cases.</p> <p>The Operation Development Team will close down the remaining 15 Free Text Fin Reps and where possible convert them into CareFirst records.</p>
<p>Responsible Officer: Operations Development Manager (GS) Target Date: 31/12/2024</p>			
<p>1.11</p>	<p>ASC Debt summary is not regularly produced and reported to senior managers ASC debt can be monitored and is reported in various ways (ledger, ASC dashboard, debtors system) and is included in the Council's financial statements.</p> <p>ASC Deferred Debt is also reported in the financial statement and in the ASC Dashboard. However, there appeared to be a lack of clarity and understanding amongst finance staff in relation to Deferred Debt and how this is monitored and reported and how this information is displayed in the ASC Dashboard.</p> <p>According to the ASC dashboard (as of September 2024) there was £8.9m outstanding ASC debt spanning a number of years. 53% of the debt was from 2023/24 and 2024/25 (to date). The remaining 47% spanned between 2006/07 to 2022/23. It was noted that some service users debt had been accrued over a number of years.</p> <p>Recommendation: Managers could benefit from a periodic ASC debt report which summarises key risk areas as not everyone has access to all debt management reports and systems. This</p>	<p>Low</p>	<p>Operations Development Manager to add a debt section to the weekly income report which is sent to managers.</p> <p>Email alerts are already sent to Management Team when debt levels peak.</p> <p>Management reporting to be discussed at ASC Debt Meeting and reports tweaked as necessary to provide good quality management information.</p>

<p>could pull together specific information held in the dashboard and debtors system regarding aged debt and service user categories (eg. mental capacity, financial representative etc) and information from the bad debt provision report in relation to service users who have the highest debt. Findings from the debt management meetings in relation to trends and work undertaken to reduce the debt could also be included.</p> <p>Deferred debt should also be regularly monitored by Finance and ASC monitoring reports should include Deferred Payments for visibility and to enable trends to be identified and monitored.</p>		<p>Responsible Officer: Operations Development Manager, GS</p> <p>Target Date: 31/12/2024</p>
--	--	---

Scope and Objectives

The scope and objectives of this audit was to provide the Council with an opinion on the processes in place to pursue debts within Adult Social Care (ASC) to maximise income for the Council whilst supporting vulnerable service users who struggle to pay and addressing those who "won't pay".

The audit included those direct payment recipients who receive their direct payment gross of the assessed client contribution and who are invoiced in the same way as those in receipt of commissioned services. Direct Payments which are paid "net" of the assessed client contribution were not be included in this audit. The management and oversight of client contributions for Direct Payments that are paid "net" of the contribution are included in the Direct Payments audit.

Overall Risk:

- Accumulating ASC debt may lead to budget deficits, affecting the ability to provide essential services and meet other financial obligations.

Risk Effect:

- Non-compliance with legal and regulatory requirements can result in penalties, fines or legal action against the Local Authority;
- Insufficient funds which may impact the quality and availability of services provided by the local authority. This can result in reduced access to essential care services for vulnerable adults, affecting their well-being and potentially leading to safeguarding issues;
- Negative publicity regarding financial mismanagement or inadequate support for vulnerable adults can damage the authority's reputation and trust among residents and stakeholders;
- Increased administrative burdens and operational costs, including resources needed for debt collection, legal proceedings and managing disputes;
- ASC debt can have broader economic implications for the local community ie. affecting the council's ability to maintain services;
- Lack of adequate social care services due to financial constraints can exacerbate social inequalities and contribute to social isolation among vulnerable adults.

The following areas and mitigating controls were reviewed during the audit:

- Financial Management Policies and compliance with Regulations;
- Debt Management Procedures;
- Documentation and record keeping;
- Risk assessment and management;
- Stakeholder Communication;
- Performance Measurement and Reporting

Acknowledgements

We thank those who provided support and assistance during this audit.

Cathy Curnow
Team Leader, Finance

Nicola Pearce
Legal Assistant

Helen Slater
**Lead Accountancy
Manager**

Chris Blackham
Livewell SW

Deneice Braddon
Technical Expert

Gareth Sampson
**Operations
Development
Manager**

Audit Team

Marie Whittam
Delivery Lead

Louise Clapton
Manager

Tony Rose
Head of Partnership

Inherent Limitations

The opinions and observations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Devon Assurance Partnership

Devon Assurance Partnership has been formed under a joint committee arrangement, details of our partners can be found on our [website](#). We aim to be recognised as a high-quality assurance service provider. We collaborate with our Partners by providing a professional service that will assist them in meeting their challenges, managing their risks and achieving their goals.

In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk.

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation’s disclosure policies. This report is prepared for the organisation’s use. We can take no responsibility to any third party for any reliance they might place upon it.

Marketing

Official

Definitions

The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.

Official: Sensitive

A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the ‘OFFICIAL’ classification tier but may attract additional measures to reinforce the ‘need to know’. In such cases where there is a clear and justifiable requirement to reinforce the ‘need to know’, assets should be conspicuously marked: ‘OFFICIAL–SENSITIVE’. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Observation Priority

Assurance	Definition		
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important observations made to improve internal control arrangements and manage identified risks.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Opportunity	An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These observations do not feed into the assurance control environment.