



CROYDON

Final Internal Audit Report

Section 17 Payments

October 2019

Distribution: Executive Director of Children, Families and Education (Final only)
Director of Early Help and Children’s Social Care
HoS Social Work with Families (SWwF)
Business Support Team Manager
Business Support Team Leader

Assurance Level	Identified Issues	
Substantial Assurance	Priority 1	0
	Priority 2	3
	Priority 3	2

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.

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1. Introduction

- 1.1 Croydon Council has a duty to provide services to 'children in need' under Section 17 of the Children Act 1989.
- 1.2 Section 17 states that 'It shall be the general duty of every local authority:
- to safeguard and promote the welfare of children within their area who are in need;
 - so far as is consistent with that duty, to promote the upbringing of such children by their families, by providing a range and level of services appropriate to those children's needs.'
- 1.3 The definition of 'children in need' is broad, and generally covers the following:
- Children who are unlikely to achieve or maintain, or to have the opportunity of achieving or maintaining, a reasonable standard of health or development without the provision of services by a local authority.
 - Children whose health or development is likely to be significantly impaired or further impaired without the provision of such services.
 - Children with disabilities.
- 1.4 Any cash payments to parents or those with parental responsibility must be limited to emergency/exceptional situations designed to overcome a cash crisis, which would otherwise have an unacceptable impact on the care of the children in the family. Occasional payments may also be made to meet a special need on the part of a child, which would not otherwise be met.
- 1.5 This audit was undertaken as part of the agreed Internal Audit Plan for 2019/20.

2. Key Issues

- 2.1 Sample testing of petty cash and other payments identified that, since administration of these was assumed by the Children's Payments Hub and Leaving Care team in early 2019, there have been improvements in the controls operated and for this reason exceptions notified in the sample dated prior to this have not been raised as issues in this report.

Priority 2 Issues
There was no procedural guidance available to officers regarding how to make Section 17 payments and when it is appropriate to do so. (Issue 1)
Testing of petty cash payments identified two cases where the receipt for the payment was not on file. (Issue 2)
Sample testing of the petty cash holdings identified that the Children in Need (CIN) petty cash float was larger than necessary. (Issue 3)

The Priority 3 issues are highlighted under area 4 below.

3. Actions and Key Findings/Rationale

Control Area 1: Legislative, Organisational and Management Requirements						
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 1				
2	<p>A 'quick' guide for social workers on purpose and appropriate use of different payment types is being published w/c 21/10/19, to ensure appropriate usage and requests by service across all S17 related payments.</p> <p>The Business Support Team Manager for CPH will review the existing S17 Procedure for payments to ensure all are current and all Business Support Staff are clear on managing and recording payments. In place and agreed with Head of Service for SWwF by 15 November 2019</p>	<p>Section 17 payments cover a broad range of circumstances. Equally, there are specific conditions that must be met for a child to be deemed 'in need'. Therefore, staff need to be aware of the relevant circumstances for a Section 17 payment to be applicable, and how to appropriately administer the payment. Procedure guidance will help achieve this.</p> <p>Discussion with the Team Manager of the Children's Payments Hub and Leaving Care established that there was no centralised procedure document in place for Section 17 payments. It was explained that there had been some guidance from the government legislation and other websites discussing Section 17 payments, however this was not the Council's own policy and did not detail the required processes to adhere to. The Team Manager asserted that she was going to collate this information into an official document which staff can refer to and which would be endorsed by the Head of Service.</p> <p>Where procedure guidance on Section 17 payments is not produced and made available to staff, there is an increased risk that payments are made inappropriately and that required processes are not adhered to resulting in a financial loss to the Council.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Business Support Manager / Business Support Team Leader</td> <td>15 November 2019</td> </tr> </tbody> </table>	Responsible officer	Deadline	Business Support Manager / Business Support Team Leader	15 November 2019	
Responsible officer	Deadline					
Business Support Manager / Business Support Team Leader	15 November 2019					

<u>Control Area 2: Petty Cash Payments</u>		
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 2
2	Regular dip check of payment recording and scrutiny of reconciliation by Business Support Team Manager for CPH is in place. Escalation to HoS for SWwF to address or sign off where receipts are not returned after being chased. Process to be included in revised S17 payments procedure.	<p>Receipts / invoices are required to be obtained and retained for all petty cash payments. This helps demonstrate that the payments were made for appropriate purposes and also assists when conducting the monthly reconciliations.</p> <p>All petty cash payments for the Children’s Payments Hub and Children in Need between April and June 2019 were selected for effectiveness testing (totalling 27 payments) and the following was identified:</p> <ul style="list-style-type: none"> • One case where the receipt had been requested several times, but the social worker had not provided it. An email trail was provided to evidence this; and • One case where the social worker gave the client some money for subsistence and social worker was reimbursed. This was very last minute and the purchase receipt could not be obtained. <p>Where receipts are not obtained for petty cash purchases, there is an increased risk that inappropriate or fraudulent payments are made, resulting in a financial loss to the Council.</p>
Responsible officer		Deadline
Business Support Manager / Business Support Team Leader/HoS Social Work with Families (SWwF)		15 November 2019

<u>Control Area 2: Petty Cash Payments</u>						
Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 3				
2	The introduction of an emergency pre-paid card scheme within Children’s has reduced the petty cash need overall. The SWwF float will be reduced to £500.	<p>The Council’s Petty Cash Procedures detail that, ‘All petty cash floats must be reviewed annually. The float should be set at a level so that approximately 50% of the float is spent between each monthly reimbursement claim’</p> <p>Testing of a sample of petty cash reconciliations within Children’s Services, identified with the Children in Need (CIN) June 2019 petty cash reconciliation that the reimbursements due figure was a total of 4 months, (i.e. highlighting that the petty cash had not been reimbursed for 4 months) and yet more than half (£1,654.12) of the £2,400 imprest float was unused and held as cash.</p> <p>Based on the formula in the Petty Cash Procedures, the petty cash imprest float should be about £1100, (being roughly double the biggest re-imburement in the last 6 months, i.e. January 2019 which was £552.90.)</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Business Support Team Leader</td> <td>1 December 2019</td> </tr> </tbody> </table>	Responsible officer	Deadline	Business Support Team Leader	1 December 2019	Where the petty cash float held is larger than necessary, there is a greater impact should the float be stolen or misused.
Responsible officer	Deadline					
Business Support Team Leader	1 December 2019					

Priority 3 Issues

Action Proposed by Management	Findings
<p>a) A receipt form is in place: the Team Manager for CPH will ensure this is consistently used, and will dipcheck to check</p>	<p>In order to demonstrate that Tesco vouchers have been received by the intended client, a receipt form is produced which is appropriately signed.</p> <p>Testing of a sample of 30 Tesco vouchers issued identified one case where a receipt form was not on file.</p> <p>Where a receipt form is not available, there is an increased risk that the client did not receive the voucher.</p>
<p>b) The Team Manager for CPH will address with the lead staff member and will regularly dipcheck to ensure errors are picked up and corrected</p>	<p>When a pre-paid card is issued to a client, the card number is required to be recorded on the handover form. Accurately recording the card number will help to ensure that the Council is aware which client has a certain card, and what payments they are making.</p> <p>Testing of a sample of 20 pre-paid cards issued identified two cases where an incorrect card number had been written on the handover forms.</p> <p>Where an incorrect card number is written on the card handover sheet, there is an increased risk that the Council do not have a proper record of the pre-paid cards issued, and thus who is spending the Council's funds.</p>

TERMS OF REFERENCE

Section 17 Payments

1. INTRODUCTION

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- 1.5 Following the implementation of One Oracle in 2014, individual service departments are responsible for raising their own invoices.
- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Section 17 Payments.
- 2.2 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.3 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 examined the Council's arrangements for the following areas relating to Section 17 Payments (and number of issues identified):

Control Areas/Risks	Identified Issues		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	1	0
Petty Cash Payments	0	2	0
Tesco Vouchers	0	0	1
Management Reporting and Monitoring	0	0	0
Risk Register	0	0	0
Pre-Paid Cards	0	0	1
Total	0	3	2

DEFINITIONS FOR AUDIT OPINIONS AND ISSUES IDENTIFIED

In order to assist management in using our reports:

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

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

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

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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