

Final Internal Audit Report

Children with Disabilities - Placement Costs and Spend Review 2021-22

October 2022

Distribution: Interim Corporate Director Children, Young People and Education
Director of Children's Social care
Head of Social Work with Families & Children with Disabilities
Director of Quality, Commissioning and Performance Improvement
Corporate Director of Resources

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

The Report was prepared solely for the use and benefit of London Borough of Croydon and 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. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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 The Children's Act 1989 introduced the concept of the 'Looked After Child', replacing the concept of being 'in-care' enshrined in earlier legislation. The Act determined two routes by which children and young people become looked after, namely that they become subject to a care order made by a court or are 'accommodated' by the local authority.
- 1.2 There are several reasons why a child may become looked after and these can be grouped into various categories of need codes, 'Children with Disabilities' (CWD) being one such category.
- 1.3 There are eight broad types of placements for CWD, namely;
- Placed with parents;
 - Kinship care placements;
 - Adoption;
 - Foster care;
 - Residential schools;
 - Residential homes;
 - Secure units; and
 - Semi-independent accommodation.
- 1.4 Croydon's Children with Disabilities Team provides support for children and young people aged 0-18 years who have a permanent and substantial disability, and their families. This is overseen by the Head of Social Work with Families and CWD (Children, Families and Education Department). At the time of fieldwork, there were 391 children with disabilities receiving support in the various services. The Council has the following policies relating to this area, accessible by staff on the intranet:
- Short Breaks Statement (May 2021);
 - Eligibility Criteria for CWD Social Care Team; and,
 - Payment Request Process document (guidance on payment)
- 1.5 While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.6 The audit was undertaken as part of the agreed Internal Audit Plan for 2021/22. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 2 Issue

The Head of Social Work with Families and CWD did not consistently obtain and review monthly budget performance reports. **(Issue 1)**

Priority 3 issues are included under section 4 below.

3. Actions and Key Findings/Rationale

Control Area 7: Budgetary Control

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
2	<p>Monthly Meetings are scheduled for the financial year budget holder and Finance lead. Forecasting happens on a monthly basis.</p> <p>Finance officer to provide HoS a monthly summary of service position as agreed and requested, if these are not provided HoS to escalate to Head of Finance. Compliance with mtg attendance and report provision reported to CSC SLT on a monthly basis</p>	<p>The Council’s Financial Regulations in section 17.16 detail that, ‘<i>The Budget Holder is responsible for the financial affairs of the service area. The responsibilities of the role include:</i></p> <p><i>17.16.2 ensuring plans and realistic prudent profiled budgets exist for the delivery of the medium term financial strategy and to report year to date variances and forecast outturn adverse or favourable variances immediately they exist;</i></p> <p><i>17.16.12 Budget monitoring via MyResources in a timely manner (as per the timetable issued by the Chief Financial Officer).’</i></p> <p>Internal audit was informed by the Head of Social Work with Families and CWD that she does not consistently obtain monthly budget performance reports. Performance reports from January 2022 to March 2022 were requested as part of testing, however, the report for only March 2022 was in place.</p> <p>Where budget performance reports are not reviewed each month, this can lead to over/under utilisation of resources.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of Social Work with Families & Children with Disabilities / Accountant</td> <td>July 22 and BAU</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Head of Social Work with Families & Children with Disabilities / Accountant	July 22 and BAU	
Responsible Officer	Deadline					
Head of Social Work with Families & Children with Disabilities / Accountant	July 22 and BAU					

4. Priority 3 Issues

Agreed action	Findings
<p>Control Area 2: Panel Assessment and Decision Making</p> <p><u>Action proposed by Management:</u></p> <p>It is not possible or appropriate to apply a process retrospectively as this would not lead to any practice improve or understanding of past needs. These services were already delivered. Care packages are based on assessments or social workers views of needs and what the service is currently doing is making sure the current care packages are recorded and awarded based on assessments and agreed by panel in accordance with our policies and procedures.</p>	<p>Social Workers are required to complete the online Payment Request Form (PRF) via the Children’s Recording System (CRS), which should be authorised by the Resource Panel. The Resource Panel Administrator should then complete the Package Confirmation Form (PCF) and send it to the relevant Service Managers for approval. This process was introduced in April 2021.</p> <p>Internal Audit tested a sample of 19 payment requests made between June 2021 and March 2022 to confirm whether the expected process was followed. One instance (2127228) was observed where an active care package, approved in 2018, did not have valid PRF and PCF. We were informed by the Business Manager that this is because completing PRF and PCF was not a requirement for care packages approved before April 2021. We were further informed that there were a total of 68 care packages approved before April 2021 and set up as direct payments.</p> <p>Not applying the new process retrospectively, can make it difficult to ensure that adequate service hours and rates were being used to calculate placement costs set up in the past.</p>
<p>Control Area 5: Payments Process</p> <p><u>Action Proposed by Management:</u></p> <p>All hours and rates are checked regardless of when payments were initially agreed. All invoices both on MR (old system) and new ContrOCC are verified prior receipting or payment authorisation to ensure that correct hours and rates had been used to calculate the</p>	<p>Internal Audit confirmed (from January 2022 to March 2022) that the Business Manager reconciled committed monthly placement costs (as agreed by the Resource Panel) with actual monthly placement costs (invoiced to the Council by service provider). However, the Business Manager did not check the underlying assumptions to ensure that correct hours and rates had been used to calculate the invoiced amount.</p>

Agreed action	Findings
<p>invoiced amount. Any queries are addressed with the provider or resolved internally depending on the issue. However, there were a few providers who submitted weekly invoices on MR and if the invoice was under £500, these are automatically receipted without validation from the services. We know the services are delivered because our staff visit children and families and check this support. We reconcile the expenditure on each child against our forecast and pick any discrepancies on monthly basis.</p> <p>There was no mechanism in place to extract “actual” hours on MR but ContrOCC has the appropriate facilities to run such reports. This has been tested with the pilot scheme provider and it would be implemented once all providers are fully paid via ContrOCC. All rates and hours are checked via PRF / panel and Controcc.</p>	<p>Where the hours and rates are not checked, there is a risk that these have been wrongly applied.</p>

AUDIT TERMS OF REFERENCE

Children with Disabilities – Placement Costs and Spend Review

1. INTRODUCTION

- a. The Children's Act 1989 introduced the concept of the 'Looked After Child', replacing the concept of being 'in-care' enshrined in earlier legislation. The Act determined two routes by which children and young people become looked after, namely that they become subject to a care order made by a court or are 'accommodated' by the local authority.
- b. There are several reasons why a child may become looked after and these can be grouped into various categories of need codes, 'Children with Disabilities' being one category.
- c. There are eight broad types of placements for Children with Disability, namely;
 - Placed with parents;
 - Kinship care placements;
 - Adoption;
 - Foster care;
 - Residential schools;
 - Residential homes;
 - Secure units; and
 - Semi-independent accommodation.
- d. This audit has been undertaken as part of the agreed Internal Audit Plan for 2021/22.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective was 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):

Children with Disabilities – Placement Costs and Spend Review
2021-22





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	0
Panel Assessment and Decision Making	0	0	1
Placement Agreements	0	0	0
Placement Reviews	0	0	0
Payments Process	0	0	1
Management Reporting	0	0	0
Budgetary Control	0	1	0
Total	0	1	2

Appendix 2

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:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	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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