

# Final Internal Audit Report

## Unaccompanied Asylum-Seeking Children (UASC) – Value for Money

October 2022

Distribution: Interim Corporate Director Children, Families and Education  
Director of Early Help and Children’s Social Care  
Director of Quality, Commissioning and Performance Improvement  
Head of Social Work with Children Looked After & Care Leavers  
Finance Manager  
Corporate Director of Resources and S151 Officer

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

**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	7

**Appendices**

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

### 1. Introduction

- 1.1. Unaccompanied Asylum-Seeking Children (UASC) are children under the age of 18 years who arrive in Croydon without adult carers. After presenting at the Home Office, they enter London Borough of Croydon's (the 'Council') care under a Section 21 order.
- 1.2. UASC are supported under the Children Act 1989 as 'children in need'. Section 17 (S17) of the Children Act provides a basic definition of a 'child in need' and places a duty on local authorities to provide a service appropriate to the child's needs. As these children are separated from their families and have no one to care for them, Croydon provides care through Section 20 of the Children Act 1989.
- 1.3. The Council offers a service to all new UASCs providing them with support on their arrival, which includes temporary suitable accommodation placements and liaising with the Home Office to transfer their care to another authority through the National Transfer Scheme (NTS).
- 1.4. The Council has negotiated with the Home Office, Department for Education (DfE) and Department for Levelling Up, Housing and Communities (DLUHC) regarding the national responsibility for UASC.
- 1.5. Decisions by Kent County Council and Portsmouth regarding cessation to providing accommodation to UASC has contributed to changes in national government policy leading to a mandatory National Transfer Scheme for UASC. This means that children who present at Lunar House within the Council are transferred to the care of other Councils. The number of UASC coming into the care of the Council has consequently reduced significantly.
- 1.6. The Director of Children, Families and Education at the Council is in charge of UASC payments with day-to-day operations managed by the Head of Service and Service Manager - Children, Families and Education. There were a total of 750 payments made in relation to UASC in 2021/22, amounting to approximately £460k.
- 1.7. Our review and testing were performed remotely. We have been unable to obtain all relevant documents required to complete the review, in particular, the Council's agreement with Kendall Cars (refer to issue 3).
- 1.8. This audit is 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 Issues

Two instances were observed (from a sample of 33 payments towards placement of UASC) where payments for emergency clothing were not supported by receipts and prior agreement. **(Issue 1)**

Two instances were observed (from a sample of 12 payments to travel providers) where parking tickets totalling £120 were invoiced to (and paid by) the Council despite not being obliged to pay for parking tickets. **(Issue 2)**

One priority 3 issue is included under section 4 below.

### 3. Actions and Key Findings/Rationale

#### Control Area 2: UASC Payments

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
2	<p>The Council's Fostering Finance Policy 2021 relates to inhouse foster placements (Carers directly working for Croydon). This issue relates to commissioned IFA providers. This payment type is not covered with IFA contracts as relates to a specific need – i.e need for emergency clothing.</p> <p>Action: HoS and SM to clarify with case work teams and Team Mangers asserting that permission must be granted in advance of any emergency clothing payment and receipts provided.</p> <p>Dip Sampling of emergency clothing payments during October, November and December 2022 will be undertaken by Service Manager to ensure practice standards are adhered to.</p>	<p>The Council's Fostering Finance Policy dated May 2021 states that <i>'Carers can spend up to £100, if necessary, for emergency clothing when children come into care out of hours with no clothing. Prior agreement is required, and receipts must be provided to the Supervising Social Worker for a reimbursement.'</i></p> <p>A sample of 33 payments towards placement of UASC was selected from the Controcc Report from April 2021 to March 2022 for testing. This included two one-off payments made to a fostering agency for emergency clothing (CRS Case ref no 2606016 and 2618504) amounting to a total of £150. In both these cases, the carers did not obtain permission before making the purchase and receipts were not kept safe for inspection.</p> <p>Where permission is not obtained prior to spending on emergency clothing, it can be difficult to ensure that such payments are being adequately overseen. Similarly, in the absence of receipts, it can be difficult to ensure that these payments were reasonable. This can potentially lead to financial loss to the Council.</p>
Responsible Officer	Deadline	
Service Manager-Children, Families and Education Department.	11/10/2022	

**Control Area 4: Payments to Travel Providers**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2				
2	<p>The findings detailed are not wholly accurate. At the time, a PO had been opened for a significant value for the year in advance (as per the policy at the time). The invoices were being submitted directly to accounts payable. Neither the Head of Service or Service Manager would have had oversight.</p> <p>The parking tickets were issued by Home Office Commissioned Hotel and were submitted directly to Accounts Payable.</p> <p>We have:</p> <ol style="list-style-type: none"> <li>a) informed the Home Office Hotel to not issue these tickets to our cars,</li> <li>b) Informed Kendall cars that they can not add these to our invoices,</li> <li>3) We are now approving, reviewing and issuing the PO's on an invoice by invoice basis.</li> </ol> <p>Since this has come to our attention, monthly invoices are being reviewed by the service manager. We are now raising PO's individually for each month's invoice.</p>	<p>Further to Issue 3 above, Kendall Cars sends monthly invoices to the Council which are reviewed by the Service Manager and Head of Services before releasing payments.</p> <p>Internal audit tested a sample of 12 payments to Kendall Cars from April 2021 to March 2022. Two instances were observed where parking tickets (amounting to £60 each) issued to the drivers of Kendall Cars were invoiced to the Council (one in January 2022 and the other in March 2022).</p> <p>Internal audit was informed by the Service Manager - Children, Families and Education that the Council is not obliged to pay for parking tickets issued to Kendall Cars and such invoices should have been rejected by the Service Manager.</p> <p>Approving invoices with incorrect values can result in further overpayments and financial loss to the Council.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Service Manager-Children, Families and Education Department.</td> <td>Completed</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Service Manager-Children, Families and Education Department.	Completed	
Responsible Officer	Deadline					
Service Manager-Children, Families and Education Department.	Completed					

**3. Priority 3 Issue**

Agreed action	Findings
<p><b>Control Area 1: Legislative, Organisational and Management Requirements</b></p> <p><b><u>Management Action:</u></b></p> <p>The financial policies are being reviewed as part of the service development plan. New Policies should be ready for publication in April 2023.</p>	<p>The Council has a Fostering Finance Policy dated May 2021 and Financial Policy &amp; Guidance -Transition to Adulthood 2020/21 dated November 2020. These policies provide details of the procedures and rates to be used by the Council during assessments and placements of UASC.</p> <p>Internal audit was informed by the Service Manager that these policies are reviewed and updated annually to reflect the latest rates. However, the Financial Policy &amp; Guidance Transition to Adulthood 2020/21 was not reviewed in 2021 as confirmed with the Service Manager - Children, Families and Education.</p> <p>Where policies are not updated regularly, there is an increased risk of inconsistent practices which may lead to inadequate rates being used for placements causing over-utilisation of time and resources.</p>

## AUDIT TERMS OF REFERENCE

# Unaccompanied Asylum-Seeking Children (UASC) – Value for Money

### 1. INTRODUCTION

- 1.1 Unaccompanied Asylum-Seeking Children (UASC) are young people who arrive in Croydon without adult carers. After presenting at the Home Office, they enter Croydon's care on a Section 21 order.
- 1.2 UASC are supported under the Children Act 1989 as 'Children in need'. Section 17 (S17) of the Children Act provides a basic definition of a 'Child in need' and places a duty on a local authority to provide a service appropriate to the child's needs. As these children are separated from their families and have no one to care for them Croydon provides care through Section 20 Children Act 1989.
- 1.3 The Council offers a service to all new UASCs providing them with support on their arrival, which includes temporary suitable accommodation placements and liaising with the Home Office to transfer their care to another authority through the National Transfer Scheme (NTS).
- 1.4 Croydon Council has negotiated with the Home Office, DfE and DELUHC regarding the national responsibility for UASC. Decisions by Kent CC and Portsmouth regarding cessation of providing accommodation to UASC have also contributed to changes in national government policy leading to a mandatory National Transfer Scheme for UASC. This means that children who present at Lunar House within LB Croydon are transferred to the care of other Councils. The numbers of UASC coming into the care of Croydon Council has consequently reduced significantly.
- 1.5 This audit was 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 control environment relating to UASC – Value for Money.
- 2.2 The audit considered for each controls / process:
  - Walkthrough the processes to consider the key controls;
  - Conducted sample testing of the identified key controls, and
  - Reported on these accordingly.

### 3. SCOPE

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







UASC Value for Money 2021-22

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	1
UASC Payments	0	1	0
Payments to Accommodation Providers	0	0	0
Payments to Travel Providers	0	1	0
Other payments	0	0	0
Budget Monitoring and Reporting	0	0	0
<b>Total</b>	<b>0</b>	<b>2</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.

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