

Final Internal Audit Report

Budgeting Children Looked After

August 2024

Distribution: Corporate Director Children, Young People & Education (DCS)
Director of Children Social Care
Interim Head of Service of Children in Care & Care Experienced Young People
Finance Manager
Director of Finance (Deputy S151 Officer)
Corporate Director of Resources and S151 Officer

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

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Forvis 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 Forvis 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 Looked after children are those who are looked after by local councils, and usually live with foster carers or in residential care settings such as children's homes, residential schools or secure units. The Children Act 1989 states that a child is looked after by a local council if they have been provided with accommodation for a continuous period of more than 24 hours, whether by agreement with parents or by court order.
- 1.2 There are a number of reasons why a child may be 'looked after' by the local authority. Most often it is because the child's parents or the people who have parental responsibilities and rights to look after the child are unable to care for them, have been neglecting them or the child has committed an offence. The local authority has specific responsibilities and duties towards a child who is being looked after or who has been looked after.
- 1.3 In 2022, the number of children looked after by local authorities in England rose to 82,170, up 2% on the previous year and continuing the rise seen in recent years.
- 1.4 The law requires councils to secure a place to live for looked after children within the borough and near the child's home. The Children Act 1989, section 22 (G) refers to this as the sufficiency duty.
- 1.5 Children who require council-arranged care form a significant part of a council's children's services budget. Within the London Borough of Croydon (Council), the budget for Social Work with Children Looked After and Care Leavers in 2022/23 was £34,116,000.
- 1.6 In order to budget effectively for children's social care, the Council are required to plan, delegate review and monitor effectively. The setting and monitoring of the Children's Social Care budget is governed by the Council procedures (Financial Regulations).
- 1.7 Budget holders in the Council are required to undergo training and this training is based on the content used by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.8 The Council use a budget monitoring timetable to help ensure that budget monitoring reports are being submitted to relevant stakeholders i.e. Director of Children's Social Care, Directorate Management Team (DMT), Corporate Management Team (CMT), Corporate Finance team, Mayor Advisory Board (MAB), Democratic Services, and the Cabinet on time.
- 1.9 Risk EHCSC0001 in the Council's risk register relates to budgeting CLA and details how the national quota for supporting Unaccompanied Asylum-Seeking Children (UASC) will increase from 0.07% to 0.1%. The risk impacts support and care for UASC, which may not be absorbed into the existing staffing structure and budget. Increased demand will cost more and as a result, the Council may see variances in this service area. The Council received £248,852

to help deflate the budgetary pressures. This was agreed and received from the Home Office for the Council's Age Assessment team (AAT).

- 1.10 The Council produced monthly service summaries which detailed budgeted, actual, and forecasted spend in different areas of CLA. These included the budget for the Leaving Care Team, budget for Children Returned Home, Adoption Support Service etc. These included comments explaining the reason for significant variances.
- 1.11 Financial performance reports were produced on a monthly basis by the Director of Resources. These reports were shared to several parties including Cabinet, Councillors, and budget holders. These reports provide an annual forecast as at the month the report is produced. The report also details the forecast for the year end, forecast variance for the year end, forecast for the General Fund and Housing Revenue Fund. The General Fund covers forecasted, actual and monthly trend spend of Children, Young People and Education directorate and allocations towards Children's services within the Deficit Recovery Plan.
- 1.12 While this audit and testing was performed remotely, all relevant documents and evidence was provided to enable completion of planned testing. The data and values in evidence provided, namely management reports, were not tested for accuracy against the general ledger.
- 1.13 This audit was undertaken as part of the agreed Internal Audit Plan for 2022/23. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Details on the Priority 3 issue is included under section 3 below.

3. Priority 3 Findings

Agreed action	Findings
<p><u>Control Area 2: Budget setting</u></p> <p><u>Action proposed by management:</u></p> <p>As part of the budget setting process assumptions around Children Looked After are clearly defined. There is a budget challenge process for growth and savings based on the expected demand which looks at activity data and unit cost for future years.</p> <p><u>Responsible Officer:</u></p> <p>Finance Manager</p> <p><u>Deadline:</u></p> <p>In place</p>	<p>Expected Control</p> <p>The Children Looked After team has a documented Budget Policy and Procedure in place which captures the roles and responsibilities of budget holders and other stakeholders, budget setting and monitoring and governance process and documents/ templates and reports used during the budget setting and monitoring process.</p> <p>Robust assumptions are considered as part of budget setting and monitoring arrangements to ensure that there is sufficient budget provision to deliver the service.</p> <p>Finding/Issue</p> <p>The Council’s Constitution (dated June 2020) under section 3.3. to 3.6, details the ultimate responsibility for budget preparation is with the Chief Financial Officer and Executive Directors. Within section 17 of the Financial Regulations, the responsibilities of the budget holders are outlined, the responsibilities include: the production of revenue and capital programme budgets for the service area ensuring all plans have appropriate and necessary budget provision.</p> <p>Through discussion with Head of Finance, a request was made for the assumptions upon which the budget monitoring and forecasting was based on. These assumptions were be provided and therefore examination of the appropriateness of these assumptions has not been completed.</p> <p>Risk</p> <p>Assumptions and budget forecasts may be unrealistic and therefore the budget may not be achieved. This can lead to overspending that has not been forecast or budgeted.</p>

AUDIT TERMS OF REFERENCE

Budgeting – Children Looked After 2022/23

1. INTRODUCTION

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- 1.5 Children who require council-arranged care form a significant part of a council's children's services budget. Within the London Borough of Croydon (Council), the budget for Social Work with Children Looked After and Care Leavers in 2022/23 was £34,116,000.
- 1.6 This audit is being undertaken as part of the agreed Internal Audit Plan for 2022/23.

2. AUDIT OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will focus on 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 The audit included the following areas:

Audit Area	Identified Issues		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	0
Budget Setting	0	0	1
Budget Monitoring	0	0	0
Budget Variance Analysis	0	0	0
Management Reporting	0	0	0
Totals	0	0	1

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 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 Forvis 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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