

# Final Internal Audit Report

## Children's Social Care Payments

### June 2024

Distribution: Interim Corporate Director Children, Young People and Education (DCS and Caldicott Guardian)  
Director of Quality, Commissioning & Performance Improvement (Deputy DCS)  
Head of Performance and Business Intelligence  
Director of Finance (Deputy S151 Officer)  
Corporate Director of Resources and S151 Officer

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	1
	Priority 2	1
	Priority 3	2

#### 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.

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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. Terms of Reference
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3. Statement of Responsibility

**1. Introduction**

- 1.1 Croydon Council (Council) makes cyclical payments to community care service providers relating to the placement of children into care within the borough. This includes payments in respect of fostering and adoption of children with disabilities etc.
- 1.2 The Children, Young People and Families Team provide help and support to young children in the form of early help support, emotional well-being and mental health support, child protection and safeguarding, special educational needs and disability support, adoption and fostering, education, hospice care, holiday activities and food. Payments are made by the Children’s Payment Hub Team using the LiquidLogic Children’s Social Care System (LCS), known as the Children’s Recording System (CRS), via the ContrOCC tool.
- 1.3 When a care package or provider is added to CRS by a Social Worker, this feeds into ContrOCC and the ContrOCC Provider Portal. The Provider Portal shows the Payment Hub team the expected costs of the care (as added to CRS by the Social Worker). External service providers for residential placements submit their invoices against the care plan costs, with the invoices picked up by a member of the Children’s Payment Hub Team.
- 1.4 Invoices are reviewed by the Children’s Payment Hub Team and approved by a Payments Team Officer. All such payments are approved by the Payments Run Lead. Internal providers i.e. fostering and adoption, receive scheduled payments whereby they are paid the set amount allocated to the care plan at the agreed frequency, for example, each week or each month.
- 1.5 The ContrOCC Supplier Set up Policy (August 2022) establishes that checks are to be made to ensure that robust governance is maintained for the processing of changes made to supplier details on ContrOCC (such as bank details, contact details etc). A supplier changes report is produced from ContrOCC highlighting the changes made, when they were made and who they were made by.
- 1.6 The Children’s Social Care service budget is monitored on a monthly basis by the Finance Team and budget holders. The budget reports produced by the Finance are shared at the Directorate Management Team (DMT) meeting and the Assurance meeting with the Corporate Director for Resources. The Assurance meeting includes a review of the overall budget position for the Children’s Social Care Service in terms of expenditure against current budget.
- 1.7 The Assurance meetings include discussions around specific services in Children’s Social Care where there is concern of overspending or a high demand, for instance, in case of local placements or Unaccompanied Asylum-Seeking Children (UASC) services. Actions to reduce overspend or to improve service performance are also discussed at the meeting.

- 1.8 Between April 2022 and January 2023, payments with a total value of £314m were made to service providers delivering Children Social Care. Some of these payments include (but not limited to) £1,566,370.78 in payments to Domiciliary Care providers, £3,761,891 to Adopters, £15,316,229 to In-House Foster Carers and £3,714,477.82 to Residential Homes.
- 1.9 While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.10 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

### Priority 1 Issues

Sample testing of five changes made to service providers’ bank account details from the ContrOCC monitoring report for February 2023 and five amendments made to service providers’ contract details between April 2022 and December 2022 found no evidence of check and approval from either the Line Manager or the Head of Service. **(Issue 1)**

### Priority 2 Issues

Review of the ContrOCC Monitoring report for the period of July 2021 to January 2023 noted that there was no evidence (such as signatures or emails between members of the team) to confirm the report had been reviewed as set out in the policy. **(Issue 2)**

Details on the Priority 3 recommendations are included under section 4 below.

### 3. Actions and Key Findings/Rationale

#### Control Area 3: Set up and Amendment of Service Provider Details on the System

Priority	Action Proposed by Management	Detailed Finding/ Rationale - Issue 1
1	<p>Process reviewed –</p> <ul style="list-style-type: none"> <li>Bank detail changes to be requested through the ContrOCC Provider Portal to mitigate identified risk.</li> <li>Fraud Monitoring Panel meet fortnightly to review changes to records and identify suspicious activity for follow up.</li> <li>Segregation of duties embedded to protect against internal fraudulent behaviour.</li> <li>All changes to payment terms to monitor and reviewed by Team Leaders.</li> </ul>	<p><b>Expected control</b></p> <p>Changes made to the service providers bank account details are approved with evidence of the review retained.</p> <p><b>Finding/ Issue</b></p> <p>Discussions with the Head of Performance and Business Improvement noted that change requests from suppliers are currently not reviewed by a Line Manager or Head of Service as this is not part of the current process. t.</p> <p>Sample testing of five changes made to service providers’ bank account details from the ContrOCC monitoring report for February 2023 and five amendments made to service providers’ contract details between April 2022 and December 2022 found no evidence of second check or approval from either the Line Manager or the Head of Service.</p> <p>Management advised that they have access to the monthly ContrOCC monitoring report which highlights the changes made to service providers details. The report shows when changes were made, who made them and whether any changes were made in concession e.g. email address changed followed by bank details. We were informed that the report is reviewed on a monthly basis by management; however, there is no evidence of the review retained. Furthermore, these checks of bank account changes should be made prior to any payment runs being processed (which for external suppliers is once week).</p>

Responsible Officer	Deadline	Risk
Childrens Payment and Processing Lead	May 2024	Where the bank changes of service providers are not evidenced as checked and approved, there is a risk that inappropriate or fraudulent changes are made and not identified leading to financial and reputational loss of the Council.

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

Priority	Action Proposed by Management	Detailed Finding/ Rationale - Issue 2				
2	To minute Fraud Monitoring Meeting to ensure audit trail of review.	<p><b>Expected control</b></p> <p>The ContrOCC Monitoring report outlining details of changes made to supplier bank accounts and contract details is reviewed regularly and, in the case of large contracts, prior to every payment run being made to the supplier by the Team Manager or Head of Service and evidence of such reviews is retained.</p> <p><b>Finding/ Issue</b></p> <p>The ContrOCC Supplier Set up Policy (August 2022) includes reference to a weekly ContrOCC Monitoring report which itemises the changes made to supplier details such as bank account, supplier address, date of change and details of staff making changes. Such changes should be reviewed periodically by Team Manager or Head of Service.</p> <p>Review of the ContrOCC Monitoring report for the period of July 2021 to January 2023 noted that there is no evidence (such as signatures or emails between members of the team) to confirm the report had been reviewed as set out in the policy.</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Children’s Payment and Processing Lead</td> <td>May 2024</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Children’s Payment and Processing Lead	May 2024	<p><b>Risk</b></p> <p>Where review of the ContrOCC Monitoring report is not undertaken and evidence retained, there is a risk that that incorrect or fraudulent changes made are not identified which may lead to financial loss to the Council.</p>
Responsible Officer	Deadline					
Children’s Payment and Processing Lead	May 2024					

#### 4. Priority 3 Findings

Agreed action	Findings
<p><b><u>Control Area 1: Legislative, Organisational, and Management Requirements</u></b></p> <p><b><u>Action proposed by management:</u></b></p> <p>Version Control to be added to documentation.</p> <p><b><u>Responsible Officer:</u></b></p> <p>Finance Systems and Processes Officer</p> <p><b><u>Deadline:</u></b></p> <p>April 2024</p>	<p><b>Expected Control</b></p> <p>Policies and procedures in place to guide staff within the Children’s Payment Hub Team are version controlled to reflect these are subject to regular review.</p> <p><b>Finding/ Issue</b></p> <p>The Payment Method User Guide (November 2020) and Invoice Process User Guide (October 2020) provide step-by-step instructions on various aspects of the payments process, for instance how to raise an invoice within the Provider Portal. Discussions with the Head of Performance and Business Improvement highlighted that these documents are subject to regular review however, the dates of such reviews were not recorded.</p> <p><b>Risk</b></p> <p>Where policies and procedures are not version controlled, there is a risk that they are outdated and do not reflect system and process updates, leading to staff carrying out payment related tasks incorrectly.</p>



Agreed action	Findings
<p><b><u>Control Area 3: Set up and Amendment of Service Provider Details on the System</u></b></p> <p><b><u>Action proposed by management:</u></b></p> <p>Review of supplier set up to be clear about information and IR35 panel to speed up process.</p> <p><b><u>Responsible Officer:</u></b></p> <p>Finance Systems and Processes Officer</p> <p><b><u>Deadline:</u></b></p> <p>May 2024</p>	<p><b>Expected Control</b></p> <p>The Procurement Governance team complete supplier checks within reasonable timeframes which are defined within the Supplier Set-Up policy prior to the supplier account being created on ContrOCC.</p> <p><b>Finding/ Issue</b></p> <p>The New Supplier Set up Policy (August 2022) states that when a supplier provides their details on a letterheaded document, Payment Officers in the Children and Families System team complete a New Supplier Request Form. Completed forms are sent to the Procurement Governance team to undertake supplier due diligence checks. The supplier's ContrOCC Provider Portal account will also be created at this time in readiness for completion of the supplier checks.</p> <p>The Supplier Set Up Policy does not define timeframes for setting up the supplier within the system. Further, sample testing of five new service providers used by the Children's Social Care between January 2022 and January 2023, from the new providers report generated from ContrOCC, identified that in one case (Stepping Stones), the supplier checks were completed by Procurement Governance 126 days after the supplier request form was completed. In addition, the supplier’s ContrOCC account was created 126 days prior to the supplier checks being completed. A reason for this delay was requested from the Procurement Governance team on March 10 2023 but was not provided. It should however be noted that no payments had been made to Stepping Stones at the time of the audit.</p> <p><b>Risk</b></p> <p>Where supplier due diligence is not carried out timely before onboarding new suppliers, there is a risk that inappropriate suppliers may be onboarded which may lead to significant legal, financial and reputational risks in addition to the risk of disruption to service provision.</p>

## AUDIT TERMS OF REFERENCE

### Children’s Social Care Payments

#### 1. INTRODUCTION

- 1.1 The Council makes cyclical payments to community care service providers relating to the placement of adults into care within the Borough. This includes payments in respect of fostering, adoption, children with disabilities etc.
- 1.2 Payments are made by the Children’s Payment Hub Team using Liquidlogic via the ContrOCC interface.
- 1.3 This audit was undertaken as part of the agreed Internal Audit Plan for 2022/23.

#### 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 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):





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational, and Management Requirements	0	0	1
Notifications of Placements (sets ups and terminations)	0	0	0
Set up and Amendment of Service Provider Details on the System	1	0	1
Payments to Service Providers	0	1	0
Budgetary Control	0	0	0
Risk Register	0	0	0
<b>Total</b>	<b>1</b>	<b>1</b>	<b>2</b>

**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:

<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 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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