

# Final Internal Audit Report

## Youth Offending Service

### August 2017

**Distribution:** Executive Director of People (Final Only)  
 Head of Youth Offending Team  
 Accountancy Manager

| Assurance Level              | Recommendations Made |   |
|------------------------------|----------------------|---|
| <b>Substantial Assurance</b> | Priority 1           | 0 |
|                              | Priority 2           | 3 |
|                              | Priority 3           | 0 |

#### Status of Our Reports

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd 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 Public Sector Internal Audit Ltd. 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 aim of the Youth Offending Service is to reduce the level of offending by children and young people between the ages of 10 and 17.
- 1.2 The Youth Offending Service aids the goals set out by Croydon's Community Strategy 2016-21, by reducing offending levels, and creating opportunities for young people to develop and learn.
- 1.3 The Youth Offending Team is based in the Turnaround Centre, undertaking activities such as group work, one-to-ones, educational exercises, reparation and work with victims.
- 1.4 The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

**2. Key Issues**

**Priority 2 Issues**

Sample testing identified a transaction where services were provided to the Council prior to the corresponding purchase order being raised and approved, **(Issue 1)**.

Two petty cash payments had not been evidenced as appropriately authorised, **(Issue 2)**.

A petty cash float is held by the Youth Offending Team; however, the maximum monthly expenditure for the previous three months was just over 25% of the float held, **(Issue 3)**.

**3. Actions and Key Findings/Rationale**

| <b>Control Area 7: Procurement</b> |   | <b>Detailed Finding/Rational – Issue 1</b>  |
|------------------------------------|---|---|
| <b>Priority</b>                    | <b>Action Proposed by Management</b>        | <p>The Council's Payment Procedures, which are mandatory, state that <i>'it is important that orders are placed on P2P before the actual cost is incurred. As soon as you are aware of a requirement for goods and services, you must raise a requisition on the P2P system. Under no circumstances should requisitions be raised retrospectively (i.e. when goods/services have been delivered).'</i></p> <p>Examination of the documentation for a sample of five transactions identified that in one instance services had been provided or committed prior to the purchase order being requested or authorised.</p> <p>Where goods and services are committed to prior to the purchase order being approved, the authorisation process is being bypassed and there is a risk that the goods or services procured are not appropriate or cost effective. It also undermines that commitment aspect of effective budgetary control.</p> |
| 2                                  | Will ensure compliance from now on.         |   |
| <b>Responsible officer</b>         | <b>Deadline</b>                             |   |
| Head of Youth Offending Team       | Completed – instruction to approve managers |   |

| <b>Control Area 6: Petty Cash</b> |  |   |
|-----------------------------------|--|---|
| <b>Priority</b>                   | <b>Action Proposed by Management</b>   | <b>Detailed Finding/Rational – Issue 2</b>  |
| 2                                 | Instruction re- issued to managers to ensure petty cash vouchers are signed and for Business support not to release payment without a signature. | <p>Prior to petty cash being provided to officers, it must be approved by a team manager. These are then certified by the Senior Business Support Officer to verify that the receipts and change received matches the request.</p> <p>A sample of five petty cash payments were examined, and it was established that in two cases, no approval had been evidenced for the expenditure from a team manager.</p> <p>Where petty cash payments are not approved, there is a risk that petty cash may be used inappropriately.</p> |
| <b>Responsible officer</b>        | <b>Deadline</b>  |   |
| Head of Youth Offending Team      | Completed  |   |

| <b>Control Area 6: Petty Cash</b> |   | <b>Detailed Finding/Rational – Issue 3</b>  |
|-----------------------------------|---|---|
| <b>Priority</b>                   | <b>Action Proposed by Management</b>  |   |
| 2                                 | I still we believe we need a "buffer" to cover for periods when there are delays with getting the petty cash claim processed so would recommend reducing to £1,500 and keep under review. | <p>The Council's Petty Cash Procedures state that, 'The float should be set at a level so that approximately 50% of the float is spent between each monthly reimbursement claim.'</p> <p>Examination of the petty cash expenditure for the last three months established that the maximum monthly expenditure was just over 25% of the petty cash float. With the introduction of P-Cards, it is expected that more transactions should be completed using these cards, and that the amount of cash held on site could be reduced along with some of the administrative burden.</p> <p>Where the petty cash float is in excess of 50% of the expenditure claimed monthly, there is a risk that the float is too large. The greater the float, the more attractive this is to theft.</p> |
| <b>Responsible officer</b>        |   | <b>Deadline</b>   |
| Accountancy Manager               |   | September 2017  |

## TERMS OF REFERENCE

### Youth Offending Service

#### 1. INTRODUCTION

- 1.1 The aim of the Youth Offending Service is to reduce the level offending by children and young people between the ages of 10 and 17.
- 1.2 The Youth Offending Service aids the goals set out by Croydon's Community Strategy 2016-21, by reducing offending levels, and creating opportunities for young people to develop and learn.
- 1.3 The Youth Offending Team is based in the Turnaround Centre, undertaking activities such as group work, one-to-ones, educational exercises, reparation and work with victims.
- 1.4 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of the Youth Offending Service was identified to be undertaken.

#### 2. OBJECTIVES AND METHOD

- 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 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 The audit included the following areas:

| Control Areas/Risks                                    | Issues Identified    |                        |                     |
|--|----------------------|------------------------|---------------------|
|  | Priority 1<br>(High) | Priority 2<br>(Medium) | Priority 3<br>(Low) |
| Regulatory, Organisational and Management Requirements | 0                    | 0                      | 0                   |
| Income   | 0                    | 0                      | 0                   |
| Security   | 0                    | 0                      | 0                   |
| Budgetary Control                                      | 0                    | 0                      | 0                   |
| Inventory and Stock                                    | 0                    | 0                      | 0                   |
| Petty Cash   | 0                    | 2                      | 0                   |
| Procurement  | 0                    | 1                      | 0                   |
| Monitoring and Reporting                               | 0                    | 0                      | 0                   |
| <b>TOTAL</b>   | <b>0</b>             | <b>3</b>               | <b>0</b>            |

## DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

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, adequacy and 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 issues are based on the following criteria:

|                                |   |
|--------------------------------|---|
| <b>Priority 1<br/>(High)</b>   | Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.   |
| <b>Priority 2<br/>(Medium)</b> | Control weakness that represent an exposure to risk and require timely action.  |
| <b>Priority 3<br/>(Low)</b>    | 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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