

Final Internal Audit Report

Payments Against Orders

March 2019

Distribution: Executive Director of Children’s, Families & Education (Final Only)
 Director of Early Help and Children’s Social Care.
 Head of Corporate Parenting
 Service Manager, Children in Care

Assurance Level	Recommendations Made	
Limited Assurance	Priority 1	1
	Priority 2	9
	Priority 3	0

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.

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1. Introduction

- 1.1 Payments are made to families/carers, to assist families with the costs of looking after young people. These payments are in relation to:
- Special Guardianship Orders (SGOs);
 - Care Arrangement Orders (CAOs) (previously Residential Orders); and
 - Adoption Cases (AC).
- 1.2 The value of the allowances awarded by the London Borough of Croydon is assessed on an annual basis via a means test. This test is a financial assessment of the additional financial assistance that can be given to families in order to help them provide care to the young persons they look after.
- 1.3 As of July 2018 there were a total of:
- 234 SGO allowances;
 - 66 AC allowances; and
 - 29 CAO allowances in place.
- 1.4 The system used to store documents such as annual review letters and means tests is the Children's Recording System (CRS) for older historical cases and on SharePoint for newer cases.
- 1.5 The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Issues

Means tests were not on file for six out of the sample of 10 adoption allowances tested, **(Issue 6.)**

Priority 2 Issues

While some procedural guidance was available, this was incomplete, **(Issue 1.)**

The pending payment reports were not always confirmed by the Service prior to being processed for payment, **(Issue 2.)**

Fostering allowances rates and also SGO and CAO/RO rates have not been reviewed for uplifts since 2014, **(Issue 3.)**

Some key documents were not available for four of the sample of 10 SGO payments tested, **(Issue 4.)**

An instance was identified where adoption allowance payments for two children had been mixed up, **(Issue 5)**.

An annual review letter was not evident for one out of the sample 10 adoption allowance payments tested, **(Issue 7)**.

Some key documents were not available for five out of the sample 10 families in receipt of CAO payments tested, **(Issue 8)**.

Budget monitoring actions were not recorded and it is not known what actions are being put in place to manage the budget overspend, **(Issue 9)**.

The corporate risk register does not include payments against orders as a risk, **(Issue 10)**.

3. Actions and Key Findings/Rationale

Control Area 1: <u>Legislative, Organisation and Management Requirements</u>	
Priority	Action Proposed by Management
2	<p>Clear separate financial processes for AA, including Annual Review, and Child (not care) Arrangement Orders to be in place. This will be part of the work to refresh and widen the remit and processes of the Children's Payment Hub in 2019/20</p>
	<p>Detailed Finding/Rationale – Issue 1</p> <p>In order to help ensure continuity of service and compliance with legislation, appropriate procedures and guidance should be in place for staff.</p> <p>It was confirmed that some procedure notes were in place for the administration of Special Guardianship Order (SGO) payments, namely the 'List of acceptable evidence to support application for financial support', 'SGO means testing process' and the 'SGO process'. It was advised that the process is the same for the Adoption Allowance (AA) payments, but there was no reference to AA payments within the processes provided. Furthermore, these procedures were only for some of the processes, for example not detailing the annual review process or the weekly checks of the payment runs.</p> <p>It is unknown whether there are processes in place for the administration of Care Arrangement Orders (CAO) and Residential Orders (RO).</p> <p>Where processes are not in place or are not sufficiently detailed, there is a risk that staff are unable to follow accepted processes, which as a result, can lead to inconsistencies and the Council being non-compliant with legislation.</p>
Responsible officer	Deadline
Business Support Manager	31/03/19

Control Area 2: Governance Arrangements and Management Requirements – Payment Runs						
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2				
2	Business Support management across EHCSC to ensure all pay runs are checked and that checking is confirmed.	<p>In advance of the weekly payment runs being processed each Friday, pending payment reports are generated by the Business Support Co-Ordinator (BSC) and sent to the respective responsible officers each Wednesday to be checked and confirmed.</p> <p>It was established that the BSC maintains a payment report tracker to record the responses received for each responsible officer for the weekly payment runs. Examination of this report tracker identified that responses were not always received from the respective responsible officer. For instance, responses were not received for 'SGO/RO' for the weeks of 30 September and 21 October 2018.</p> <p>It is acknowledged that the 'SGO/RO' does generally respond weekly and more frequently than the other services. Notwithstanding, every payment run should be checked and responded to.</p> <p>Where officers do not verify whether the pending payment runs are accurate, there is a risk that incorrect amounts are being paid to families which cannot be recovered.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Business Support Manager</td> <td>In place</td> </tr> </tbody> </table>	Responsible officer	Deadline	Business Support Manager	In place	
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Control Area 2: Governance Arrangements and Management Requirements – Review of Allowances						
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3				
2	The fostering allowances policy is under review, (March 2019) which includes an uplift of allowance payments. All other payments for previously looked after children living with carers receive a SGO or AA need to be paid at the same rate as the fostering allowance and uplifted accordingly, in respect of the child care allowance element.	<p>The Special Guardianship Guidance 2017 section 65 details that, 'In determining the amount of any ongoing financial support, the local authority should have regard to the amount of fostering allowance which would have been payable if the child were fostered. The local authority's core allowance plus any enhancement that would be payable in respect of the particular child, will make up the maximum payment the local authority could consider paying the family. Any means test carried out as appropriate to the circumstances would use this maximum payment as a basis.' The gov.uk website updates the annual fostering allowance every April.</p> <p>Discussion with the Service Leader for Fostering, Children's Placements and Supervised Contacts (SLF) advised that the fostering allowance rates were last updated in 2014. No explanation as to why these have not subsequently been reviewed has been provided, but the SLF has advised that the Director of Children, Family, Family Intervention and Children Social Care (DCFFC) was leading a discussion with respect to fostering payments where it is anticipated that the DCFFC will update the Corporate Parenting Panel in January 2019 with the aim of agreement in March 2019. Once fostering payments have been decided, then changes to SGO and CAO/RO allowance rates can be considered.</p> <p>Where SGO and CAO/RO allowance rates are not reviewed on a regular basis, there is a risk that payments made are not in line with increasing inflation, which could result in families struggling to care for children in their care.</p>				
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Head of Corporate Parenting	This is in the final stages of development with completion to embed date set for June 2019					

Control Area 3: SGO Payments					
Priority	Action Proposed by Management				
2	<p>For files open after 2012, all relevant paperwork to be uploaded to local systems as per current processes. Means tests to be carried out once change of circumstances highlighted, and decisions and calculations recorded.</p> <p>Historic paperwork (pre 2012 cases) remain in Iron Mountain; however, for ongoing payments to carry out and record annual reviews and any subsequent means test on local systems as per current process.</p>				
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Business Support Manager	In place				
Detailed Finding/Rationale – Issue 4					
<p>Special Guardianship Orders (SGO) are payments made by the Council to families who have children / young people in their care. A proportion of SGOs were originally fostering cases.</p> <p>Testing of a sample of 10 SGO payments made for the period 30 July to 5 October 2018 identified the following issues:</p> <ul style="list-style-type: none"> • In one instance, there was no evidence of a means test on file; • In one instance, (originally a fostering case), there was no support plan on the file; • In two instances, there was no evidence of annual reviews on file; and • In one instance, an annual return was on file which highlighted changed financial circumstances, but no updated means test was evident. It was also noted that the payments being made (£116.43) were not in line with the means test on file (£110.82). <p>Where appropriate documentation and information is not retained on CRS / SharePoint, there is a risk that discrepancies with payments may not be identified and addressed in a timely manner.</p>					

Control Area 4: Adoption Allowances – Incorrect Payments		Detailed Finding/Rationale – Issue 5
Priority	Action Proposed by Management	<p>Adoption allowances are available for some families depending on their means test results.</p> <p>Testing of a sample of 10 adoption allowance payments made for the period 30 July to 5 August 2018 identified one case where the payment being made was not in line with the means test. This child was one of two children placed with the same parents. Older children are given higher payments than younger children. In this case; however, the payments assigned had been mixed up resulting in the older child being assigned the lower payment (£169.27) and the younger child being assigned the higher payment (£207.22).</p> <p>While this is not immediately an issue, as the family is still getting paid the correct amount, when the older child turns 18 or finishes education this will result in the incorrect payment being stopped and the higher payment continuing.</p> <p>Where payments are incorrectly allocated, there is a risk of overpayments being made which cannot be recouped and of underpayments being made causing financial hardship.</p>
2	Where decisions are made outside of the means testing process, decisions to be recorded as evidence. These decisions need to be incorporated into the relevant support plans.	
Responsible officer	Deadline	
Head of Corporate Parenting	01 March 2019	

Control Area 4: Adoption Allowances – Means Testing		Detailed Finding/Rationale – Issue 6
Priority	Action Proposed by Management	<p>Means tests show earnings of families and the payment to be made in respect of the family income.</p> <p>Examination of the documentation held for a sample of 10 adoption allowance payments identified that in six instances a copy of the means test was not available. It was explained that these documents should be in archive, but these were not sighted at the time of audit.</p> <p>Furthermore, for one of the sample the means test was not signed by the three officers responsible for undertaking and reviewing the means test. For another case, while the annual review had been completed to say a change had taken place to the circumstances, there was no evidence of a subsequent means test being undertaken.</p> <p>Where means tests are not undertaken and retained on file, there is a risk that the wrong amount is paid.</p>
1	Adoption allowance means testing was centralised in 2016, which reduced oversight in recording. Action is to ensure local processes for recording are followed and adhered to, and spot-checked by CPH management.	
Responsible officer	Deadline	
Business Support Manager	31/03/2019	

Control Area 4: Adoption Payments – No annual review letter

Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 7
2	Copies of all Annual Review letters sent and response to be recorded following local processes. No-change responses to be recorded.	Annual returns are distributed to all recipients of adoption allowances, which are required to be returned verifying whether there have been any changes to recipients' financial circumstances. Examination of the documentation held for a sample of 10 adoption payments identified one instance where there was no evidence of an annual review letter having been received.
Responsible officer	Deadline	Where annual review letters have not been received from those in receipt of payments, there is a risk that changes to person's circumstances have occurred which may have impacted on the value of payments being made.
Business Support Manager	In Place	

Control Area 5: <u>Child arrangement orders (CAO) / Residence orders (RO)</u>	
Priority	Action Proposed by Management
2	<p>For files open after 2012, all relevant paperwork to be uploaded to local systems as per current processes. Means tests to be carried out once change of circumstances highlighted, and decisions and calculations recorded.</p> <p>Each June all recipients of an allowance are sent a change of circumstances form. Changes are subject to a new means test completed by SGO business support.</p>
	<p>Detailed Finding/Rationale – Issue 8</p> <p>Child Arrangement Orders (CAO) replaced Residence Orders (RO) on 22 April 2014. From this date, if a family was already in receipt of an RO, the amount paid would be continued, unless there was a change in circumstances.</p> <p>Examination of the records held for sample of 10 families receiving payments due to CAO/RO for the payment period 30 July to 5 August 2018 identified that:</p> <ul style="list-style-type: none"> • For one case, a change of earnings was documented from £13,198 to £11,920, there was no evidence of an updated means test; • For another case, there was no evidence of any annual reviews; • For another case, there was no evidence of a means test; • For another case there was no evidence of a means test or annual review; and • For yet another case, while the annual review documented a change, there was no further evidence provided of any recent means test to support the change. <p>Where incomplete records are held, there is a risk that incorrect payments are made.</p>
Responsible officer	Deadline
Head of Corporate Parenting / Business Support Manager	Ongoing , process to start and be tested June 2019

Control Area 6: Budget Monitoring – Overspend		Detailed Finding/Rationale – Issue 9				
Priority	Action Proposed by Management					
2	Monthly budget monitoring to ensure good forecasting. All allowances to be authorised by HOS.	<p>The budget is required to be monitored on a regular basis to identify if there are likely to be any over and under spends and how much of an impact this will have on the service area. In addition, corrective action should be put in place where there are strains on budgets.</p> <p>Discussion with the Principal Accountant (PA) advised that a budget meeting with the interim manager for the Adoption Service had been held in quarter three; however, discussions and actions arising from this meeting were not recorded.</p> <p>As at period six, for 'C10279: Residence and Special Guardianship Allowances' there was an overspend of £874k. The PA advised that the main pressure points for the service were due to placement costs (External Fostering, In House Fostering, Residential, Semi-Independent & Secure Remand & Welfare) and Contact and Assessment expenditure.</p> <p>It is unknown what controls the team has in place to manage the overspend. It was advised that plans and savings will be discussed with the PA in January 2019.</p> <p>Where there are overspends in place, there is a risk that there will not be enough money to cover all costs and money for those families in need will not be able to be provided.</p>				
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Control Area 7: Risk Register -		Detailed Finding/Rationale – Issue 10
Priority	Action Proposed by Management	<p>The corporate risk register documents the main risks to the Council, along with the risk owners and associated controls to manage each risk.</p> <p>Risk EHCSC0004, which relates to the Early Help and Children’s Social Care Department, highlights a lack of resources within the department and a lack of segregation of duties using the key systems in place, such as ContROCC and the SEN Module. However, there is no mention of the risk of inaccurate payments being made to families due to:</p> <ul style="list-style-type: none"> • Lack of response from officers on whether the proposed payment run is accurate; or • Up to date means tests not being completed. <p>The risk register was also found to be insufficiently detailed in relation to Payments Against Orders. It was advised that the risk register will be taken to Children’s Leadership Meeting in quarter 4 by the Risk and Corporate Programme Officer.</p> <p>Where significant risks are not included on the corporate risk register, there is a risk that areas which can cause the Council high risks both financially and reputationally are not appropriately managed.</p>
	<p>Risk register to be taken to Children’s services Leadership team Meeting in quarter 4 by the Risk and Corporate Programme Officer.</p>	
Responsible officer	Deadline	
Risk and Corporate Programme Officer	30/04/2019	

TERMS OF REFERENCE

PAYMENTS AGAINST SPECIAL GUARDIANSHIP ORDERS, CHILD ARRANGEMENT ORDERS AND ADOPTION CASES 2018/19

4. INTRODUCTION AND BACKGROUND

- 4.1 Payments are made to families/carers, to assist families with the costs of looking after young people. These payments are in relation to:
- Special Guardianship Orders (SGOs);
 - Child Arrangement Orders (CAOs) (previously Residence Orders), and
 - Adoption Cases (AC).
- 4.2 The value of the allowances awarded by the London Borough of Croydon is assessed on an annual basis via a means test. This test is a financial assessment regarding additional financial assistance that can be given to families in order to help them provide care to the young persons they look after.
- 4.3 As of July 2018 there are a total of:
- 234 SGO allowances;
 - 66 AC allowances, and
 - 29 CAO allowances in place.
- 4.4 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

5. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of the control environment relating to the payments made in relation to SGO's, CAO's and AC's.
- 2.2 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate testing conducted.
- 2.3 The key findings, conclusions, and subsequent issues arising will be presented at an exit meeting and followed by the circulation of a draft report for consideration by management. This prior to agreement and issue of the final audit report.

6. SCOPE

- 3.1 The audit will include the following specific areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)





Payments Against Orders 2018/19

Legislation, Organisational and Management Requirements	0	1	0
Governance Arrangements over payments	0	2	0
Special Guardianship Payments	0	1	0
Adoption Payments	1	2	0
Child Arrangement Orders	0	1	0
Budget Monitoring	0	1	0
Risk Register	0	1	0
TOTAL	1	9	0

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, 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 recommendations are based on the following criteria:

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

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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