



## **Internal Audit Report**

### **Integrated Children's & Family Services**

### **Fostering, Adoption & Kinship Payments**

**Issued to:**

Rob Polkinghorne, Chief Operating Officer  
Graeme Simpson, Chief Officer, Integrated Children's and Family Services  
Jonathan Belford, Chief Officer, Finance  
Isabel McDonnell, Children's Service Manager  
Angela Maitland, Acting Children's Service Manager  
Lorna Stephen, Integrated Children's and Family Services Office Manager  
Trevor Gillespie, Team Manager, Performance Management  
External Audit

## **EXECUTIVE SUMMARY**

Care for children sometimes needs to be provided away from their home, when their family cannot provide suitable care. Foster Care, Adoption and Kinship Care are options to help provide a high standard of care and ensure positive outcomes for these children.

At the time this area was reviewed there were 91 active in-house Foster Carers, 105 Adoptive Parents and 207 Kinship arrangements financially supported by the Service. The Service also uses the services of external fostering agencies.

Payments to foster carers amounted to £1.9 million for internal placements and £9.3 million for external placements during 2019/20. There were payments of £0.48 million for adoption allowances, and £2.2 million for kinship care.

The objective of this audit was to provide assurance over Fostering, Adoption and Kinship Allowances paid. In general these are paid accurately, however minor recurring system generated errors were identified in a small number of cases, which are being corrected by the Service. A new system is being developed, for implementation in 2021, and this will be informed by Internal Audit's findings to improve efficiency and reduce the scope for error in the future. In the interim, administrative support has been put in place to ensure the accuracy of payments.

Procedures and documentation would benefit from updating and review to ensure requirements are clear and aligned with policy, and to better demonstrate that payments are accurately calculated based on evidence of relevant circumstances. The Service will map its processes and ensure they are fully documented, including a review of the Adoption Policy and associated allowances.

The Service is moving to electronic filing, which will improve the consistency of record keeping, and has agreed to improve records where variations from standard practice have been agreed.

# **1. INTRODUCTION**

- 1.1 Care for children sometimes needs to be provided away from their home, when their family cannot provide suitable care. Foster Care, Adoption and Kinship Care are options to help provide a high standard of care and ensure positive outcomes for these children.
- 1.2 At the time this area was reviewed there were 91 active in-house Foster Carers, 105 Adoptive Parents and 207 Kinship arrangements financially supported by the Service. The Service also uses the services of external fostering agencies.
- 1.3 Payments to foster carers amounted to £1.9 million for internal placements and £9.3 million for external placements during 2019/20. There were payments of £0.48 million for adoption allowances, and £2.2 million for kinship care.
- 1.4 The objective of this audit was to provide assurance over Fostering, Adoption and Kinship Allowances paid.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Isabel McDonnell, Children's Service Manager, Angela Maitland, Acting Children's Service Manager and Lorna Stephen, Office Manager.

## 2. FINDINGS AND RECOMMENDATIONS

### 2.1 Procedures and Documentation

- 2.1.1 Comprehensive written procedures which are easily accessible by all members of staff can reduce the risk of errors and inconsistency. They are beneficial for the training of current and new employees and provide management with assurance that correct and consistent instructions are available to staff and are important in the event of an experienced employee being absent or leaving.
- 2.1.2 There are processes, including forms, for system data entry, and maintaining records, however these are not fully documented. Procedure notes do not detail the full process for either Fostering, Adoption or Kinship from beginning to end, including how to complete calculations for allowances.
- 2.1.3 The procedures which are in place would benefit from review and updating: the handbook for Foster Carers had not been reviewed since 2017, the Adoption Policy and associated paperwork (e.g. for annual reviews) was last updated in 2010 and a process on Kinship financial review is in draft.

#### **Recommendation**

The Service should ensure procedures, and associated documentation, are complete and up to date.

#### **Service Response / Action**

Agreed. Processes will be mapped and procedures and documentation will be reviewed and updated, clarified, or developed where required.

#### **Implementation Date**

April 2021

#### **Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

#### **Grading**

Significant within audited  
area

- 2.1.4 Forms and agreements do not all contain clear and consistent declarations from those in receipt of payments that the information they provide is complete and accurate, and that changes in circumstances will be communicated promptly. It may therefore be more difficult to challenge instances where it is later identified that there has been any inaccuracy or delay.

#### **Recommendation**

The Service should review forms and agreements to ensure the responsibilities of those in receipt of payments have been adequately understood.

#### **Service Response / Action**

Agreed. FCA agreement/Adoption allowance/Kinship forms will be made more explicit in terms of carers responsibility to declare changes. Legal Services input will be sought to achieve compliance.

#### **Implementation Date**

April 2021

#### **Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

#### **Grading**

Important within audited  
area

- 2.1.5 Records relating to each part of the Service are held electronically, however paper records are still generated and held by various teams and individual workers. Because of the

restrictions due to the Covid-19 lockdown it was not possible to determine whether records not held electronically had not been scanned, or if they had not been obtained or created. It is important that records are complete and accessible to demonstrate adherence to the process.

**Recommendation**

The Service should ensure it retains all records in relation to fostering, adoption and kinship agreements, placements, payments, calculations and eligibility.

**Service Response / Action**

Agreed. All files are now electronic. Update of the Carefirst system is planned and this will aim to ensure accuracy in terms of recording. QA system has now been undertaken to ensure that all Foster Carers have signed FCA's; Kinship Agreement forms are being drafted currently. There is a clear paper trail in terms of amendments to FC payments / captured in the Carepay system. Robust and written evidence will be maintained in terms of additional payments agreed and these will include reasons for payment and clear authorisation.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

2.1.6

The CareFirst system holds records of both Carers and Children in their care. Payments for Internal Fostering are prepared directly using data from this system interfaced with the payments system. This includes records of what should be paid, and what has been paid. Payments relating to External Fostering, Adoption Allowances and Kinship Care are not recorded on the system, and rely on separate records held in spreadsheet format. There is an increased risk of error, loss of data, and to data protection compliance, where there are separate duplicate records held outside of a controlled system.

**Recommendation**

The Service should review whether all payments can be controlled via the CareFirst system.

**Service Response / Action**

Agreed. The Service has considered this but the current Carefirst / Carepay system is limited and cannot be adapted at present. A new system is being devised, to which the service will contribute to ensure that the payments system is streamlined.

**Implementation Date**

August 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

**2.2 Foster Carer Payments**

2.2.1 A sample of ten foster carers (four external and six internal) was selected for review.

2.2.2 External placements are obtained through agencies under a Scotland Excel Fostering Care Framework. The specific details for each placement are set out in an Inter-Agency Personal Agreement (IPA) for each placement, which acts as the contract documentation in lieu of a Purchase Order.

- 2.2.3 An IPA was only available for one of the four placements reviewed. As these are a record of the placement and contract entered into, they need to be accessible to support the placement, and payments. The recommendation at 2.1.5 refers.
- 2.2.4 Two payments to each external provider were reviewed, and these matched the relevant invoices and had generally been processed correctly. However, in the absence of copies of the IPA it was not possible to confirm that the rates paid were appropriate and correct for three of the four placements. The rates paid in these cases did not directly match those recorded in the Framework. If variations have been agreed they need to be recorded to ensure they have been approved at an appropriate level.

**Recommendation**

The Service should ensure variations from published rates are approved at an appropriate level and agreement to do so is evidenced.

**Service Response / Action**

Agreed. The sample selected were not all placements who are on the Scotland Excel Framework, they have individual contracts and rate structure. However, we acknowledge any additionality needs to be evidenced clearly and agreed within IPA or individual agreements.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

- 2.2.5 The Council has entered into its own (Internal) Fostering Agreements directly with various Carers, which set out the level of care and capacity they have been assessed as being able to provide. Carers are paid in line with their level of skills and the services they provide.
- 2.2.6 Only one of six cases reviewed had a fully signed Fostering Agreement in the electronic file. One did not have any record of an Agreement being in place, and although the other four had Agreements on file they were not signed by the Carer, and two were not signed on behalf of the Council.
- 2.2.7 Carers are sent a letter confirming any changes to the detail of their Agreement (e.g. increases to the level of skills payment), however in one case this did not set out the level of skills demonstrated and agreed to be paid for. If information is not clearly documented there is a risk it might be disputed at a later date.
- 2.2.8 Whilst there may be other copies of agreements (see 2.1.5), if they have not been signed and retained on file it may be difficult for the Service to effectively hold Carers to account in the event of conditions, standards or expectations not being met. Similar findings were made in respect of Kinship agreements.

**Recommendation**

The Service should ensure all agreements are appropriately signed and held on file before payments are made and placements commenced.

**Service Response / Action**

Agreed. The Service will ensure that Foster Carer Agreements are completed following the Agency Decision Maker decision.

**Implementation Date**

**Responsible Officer**

**Grading**

April 2021	Acting Children's Service Manager (Angela Maitland)	Significant within audited area
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2.2.9 It is encouraged that all foster carers take up membership with the Fostering Network which costs £46 per year. This provides legal protection, access to support, advice, information and training on fostering issues. A signed agreement from the Carer allows instalments to be deducted from Foster payments in June and November each year to pay for this. In three instances, payments were taken but there was no signed Fostering Network membership agreement in the electronic files. The recommendation at 2.1.5 refers.

2.2.10 Each foster family receives a skills payment based on their demonstrated level of ability (those qualified to look after children with additional needs, and able to look after additional children, are paid more), and each child attracts a weekly allowance based on their age:

Skills Level	Annual Payment (2019/20)
1	£8,525
2	£12,786
3	£17,051
4	£21,075
ARC level	£28,705

Age Bracket	Weekly Allowance (2019/20)
0-4	£135.41
5-10	£154.24
11-15	£192.02
16-18	£233.55

2.2.11 Additional allowances are paid for Birthdays (equivalent to 1 week's age-related payment), Christmas (1 week's payment) and Holidays (2 weeks payment). This equates to an additional 4 weeks of age-related payments (the total allowance reflects 56 weeks of payments, paid over 52 weeks).

2.2.12 Overpayments of allowances can arise regularly due to changes in placements and are normally followed up by making deductions from future payments. Where a child is temporarily placed with a different carer (to provide respite for the carer) a respite form is used to show an audit trail of events of where the child was placed. This is also used to reassess payments as required.

2.2.13 Internal Audit highlighted instances to the Service where incorrect payments had been made and not picked up and corrected through the normal process:

2.2.14 In one instance an age-related allowance was paid at the previous year's rates. The Service has stated that this was a systems error which will be investigated and adjusted once resolved. However, as it relates to a 'continuing care' case, the legislation states that "*Continuing care means the same accommodation and other assistance as was being provided for the person by the authority ... immediately before the person ceased to be looked after.*" It could therefore be interpreted that such payments should continue at the same level (as they have in this case), rather than being subject to annual rate increases applicable to fostering for current cases. However, the Service has confirmed they should not differ.

2.2.15 Three holiday allowances for holidays set up prior to April 2019 have been paid the 2018 rates in error. The Service after further analysis confirmed that 44 individual payments were affected totalling £456.06, which has now been adjusted for.

2.2.16 In another case a birthday allowance was paid at the wrong year's rate.

2.2.17 In each of these instances payments appear to have remained fixed at the rates set when the allowances were created, rather than applying the rates set at the time the allowance

was due to be paid. It is not clear that the Service has controls in place to avoid or correct this.

**Recommendation**

The Service should ensure that allowances are paid at the correct rate following changes to the published rates.

**Service Response / Action**

Agreed. System errors have occurred, and the limitations of the current system have been recognised – hence a new system is being developed. The Service will apply scrutiny to ensure accuracy of financial payments in the interim.

**Implementation Date**

September 2021

**Responsible Officer**

Acting Children’s Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

2.2.18 In another case a respite form showed dates for respite being 29 May until 5 June 2019 but notes on the form referred to one night respite instead of the eight days which were paid. The overpayment was correctly adjusted for at a later date but notes on CareFirst relating to this were not clear and did not refer to the correct dates.

2.2.19 Lastly there was an overpayment where it had been established by the Service that an allowance was ‘cancelled’ on CareFirst instead of being ‘ended’, causing an overpayment to be recorded on the system of over £17,000. The Service did not make these payments, but still made an overpayment, which it calculated as £518.19. Recovery arrangements were put in place to recover this from a number of weeks’ allowances. However, Internal Audit identified that the recovery was not stopped after the full amount had been recovered, resulting in an over-repayment of £604.75.

2.2.20 Incomplete or inaccurate data presents a risk of incorrect payments being made, or incorrect adjustments at a later date.

**Recommendation**

The Service should ensure payments and recoveries are adequately documented and input correctly to the system.

**Service Response / Action**

Agreed. There is now a dedicated AF Admin worker who has been tasked with this in recognition that there has been a gap in this – she is solely responsible (alongside TM) of ensuring that Carepay is accurate.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children’s Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

2.2.21 In one case a Foster Carer awaiting confirmation of de-registration from the Fostering Panel continued to be paid their Skills Allowance for five months, pending the Panel meeting to discuss it. The Service has evidence showing the Team Manager stating that the Service Manager approved continuation of the payment, though no record of the latter was available. Carers are normally only paid their Skills payment if they have 28 days or less without a child in placement, in line with policy and the written Fostering Agreement. The Service has since indicated that additional payments will be made (following separate



review of this carer's payments as discussed at 2.2.19 above), as payments were stopped two weeks earlier than the Team Manager had stated.

<b><u>Recommendation</u></b>		
The Service should ensure terms agreed and payments made are aligned with policy.		
<b><u>Service Response / Action</u></b>		
Agreed. The policy requires to reflect that there are instances where arrangements require to be individualised by virtue of the nature of circumstances in relation to 2.2.19. This has been discussed with Legal Services.		
<b><u>Implementation Date</u></b>	<b><u>Responsible Officer</u></b>	<b><u>Grading</u></b>
April 2021	Acting Children's Service Manager (Angela Maitland)	Significant within audited area

## 2.3 Adoption Payments

2.3.1 A sample of four adopters in receipt of an adoption allowance was selected for review. The need for an allowance is determined by the needs of the child, as considered by the Adoption Panel, and the amount is calculated through a form of means test. Payments are made quarterly thereafter.

2.3.2 The Panel minutes were not in the children's electronic files, therefore it could not be confirmed that the panel had agreed each child would attract an adoption allowance. The Service has indicated that at the time these were created the requirement was to maintain them in paper files. The recommendation at 2.1.5 refers.

2.3.3 The weekly Adoption Allowance that can be awarded is age related:

Age Bracket	Weekly Allowance 2019/20
0-4	£78.46
5-10	£97.39
11-15	£121.21
16-18	£156.94

2.3.4 The allowance is then adjusted based on consideration of the adoptive parents' financial circumstances, based on a list of eligible expenditure and allowances, measured against net income:

Total Expenditure more than % of net income	The Adopter will receive
85% of net income	100% of allowance
78%-84% of net income	75% of allowance
70%-77% of net income	50% of the allowance
70% of net income	0% of the allowance

2.3.5 Eligible expenditure includes rent / mortgage payments, council tax and water, and home insurance. Other routine expenditure is covered by an allowance of £300 per week for a couple, £210 for a single person, and £50 per dependant child. It is not clear on the form, or in the process followed, whether the £50 per week per child is meant to include the adoptees as well as children already within the family.

2.3.6 Net income includes regular income from earnings, pensions, investments and / or benefits – though certain specific benefits are disregarded. Assumed income from capital

is taken into account if it exceeds £10,000 per person at a rate of £1 for every £500 thereafter.

- 2.3.7 The form completed for calculation of the allowance, and used for annual reviews thereof, asks for details of expenditure and capital / savings from the Carer, however there is no evidence requested or retained to support these details. If the amounts have been incorrectly calculated, or misrepresented, it could affect the amount of allowance paid.
- 2.3.8 The Service normally obtains supporting details for income, in the form of benefit award letters, or five payslips (where available) taking an average to take account of variations between pay dates. This may still not always provide an accurate representation of income: in one case the year to date earnings shown on the payslips indicated that the applicant had earned more at earlier points in the tax year than the average derived from the most recent five weeks.
- 2.3.9 Net pay is used for the calculation, however in two of the cases examined 'net pay' was after voluntary deductions for savings schemes or similar. The Service has no process in place to identify and if appropriate make adjustments for this.
- 2.3.10 In another case no payslips were available, and a set of unaudited accounts were provided as evidence of wages paid from self-employment. The financial circumstances calculated from this evidence indicated a shortfall substantially in excess of the amount available through an adoption allowance. There are no details in the procedure to indicate what constitutes appropriate evidence, but in this case, it could have been more appropriate to request bank statements to confirm the statements were reasonable.
- 2.3.11 In one case the 'total deductions' on a set of payslips had been used by the Service instead of the 'net pay'. Over £5,000 of annual income had not been taken into account. If these had been correctly input to the calculation, the calculations would have indicated that the adopter would not have been eligible for payment of the allowance, as the ratio of expenditure to income would have reduced to 65%, reducing payment to 0%.
- 2.3.12 It is important that evidence provided is subject to appropriate scrutiny and challenge, to reduce the risk of error in the calculation of payments. The Service should also consider completing annual financial reviews after the end of the financial year, at which point annual values could be obtained and checked more easily and accurately from a P60 or an up to date benefit or Tax Credit award letter.

**Recommendation**

The Service should develop the process for calculating adoption allowance entitlement to ensure it has sufficient appropriate evidence to demonstrate adopters' financial circumstances at the point of adoption and subsequent annual reviews.

The Service should ensure payments are accurately calculated based on the evidence obtained.

**Service Response / Action**

Agreed. It is acknowledged that the current process is overly cumbersome. The Service plans to review the Adoption Policy including allowances and their calculation.

**Implementation Date**

April 2021

**Responsible Officer**

Acting Children's Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

- 2.3.13 The Service noted that the Team Manager, authorised by the appropriate Service Manager, can change a decision to pay an allowance when the means test threshold is not met or pay a greater rate or additional allowance than what the means test result calculates or that the Panel recommends. There is no formal record of such authorisations, which may be verbal and are not saved in the electronic files.
- 2.3.14 One of the cases selected for review had an alternative allowance agreed in this way. The associated documentation did not clearly reflect the agreement: There was an Adoption Allowance Review form completed for one child adopted, which the Service advised was recommended at Panel for an allowance to be paid, but the calculation sheet held on file with it pertained to a second adopted child – who did not attract an allowance. An award of 75% was granted initially for the first child. Following a letter of appeal by the Carer the Adoption Team Manager, authorised by the Children Services Manager, decided to pay 100% Adoption Allowance for both children. The circumstances are insufficiently documented to demonstrate that this was appropriate and approved at the right level.
- 2.3.15 In the absence of a clear and documented process, there is a risk that adopters will be treated inequitably and this will not be identified and corrected where appropriate.

**Recommendation**

The Service should ensure that all decisions to vary from Adoption Panel and calculated allowances are authorised and adequately documented.

**Service Response / Action**

Agreed.

**Implementation Date**

Implemented

**Responsible Officer**

Acting Children’s Service  
Manager (Angela  
Maitland)

**Grading**

Significant within audited  
area

**2.4 Kinship Payments**

- 2.4.1 Four kinship arrangements were selected for review. In two of the cases signed versions of Kinship agreements were not held in electronic files, as these pre-dated the requirement to do so. The recommendation at 2.2.8 refers.
- 2.4.2 Once Kinship is formally approved by the Agency Decision Maker a Kinship Financial Assessment should be completed to confirm that the Carer has all of the resources available to them to which they are entitled. Once complete, the Service will consider making payment of an allowance based on Fostering fees, after deducting child benefit and other relevant payments which can be obtained through other means.
- 2.4.3 There were no up to date financial documents on file in respect of the four cases selected for review, therefore the financial information and calculations could not be checked and confirmed. The recommendation at 2.1.5 refers. The Service has noted that the Kinship Team’s priority was to ensure that all new kinship carers were issued with Financial agreements in line with their kinship allowance. The current team have not been able to do this with historical cases, however all kinship carers have now been reviewed and within the year should be issued with a Kinship Agreement with their kinship allowance recorded.

**AUDITORS:** D Hughes  
C Harvey  
J Galloway

## Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
<b>Major at a Corporate Level</b>	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the organisation.
<b>Major at a Service Level</b>	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
<b>Significant within audited area</b>	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
<b>Important within audited area</b>	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.

