



Internal Audit Report

Finance

Scottish Welfare Fund

Issued to:

Richard Ellis, Interim Director of Corporate Governance
Steven Whyte, Head of Finance
Wayne Connell, Revenues & Benefits Manager
Steve MacRae, Scottish Welfare Fund Team Leader
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

The Scottish Welfare Fund was introduced in 2013 to replace Crisis Loans for Living Expenses and Community Care Grants paid by the Department for Work and Pensions. It is delivered by local Councils and provides two types of grant - Crisis Grants and Community Care Grants. During 2015/16, the Council paid out £915,000 of grants relating to 7,352 eligible applications.

The objective of this audit was to consider whether administration arrangements are robust and being complied with. This involved reviewing written procedures, interviewing staff and analysing a sample of grant awards made over the last twelve months.

Based on the testing undertaken, the systems in place for administering the Scottish Welfare Fund were found to be robust, well managed and adhered to.

1. INTRODUCTION

- 1.1 The Scottish Welfare Fund was introduced in 2013 to replace Crisis Loans for Living Expenses and Community Care Grants paid by the Department for Work and Pensions. It is delivered by local Councils and provides two types of grant - Crisis Grants and Community Care Grants. The former are available to meet expenses that have arisen as a result of an emergency or disaster, in order to avoid an immediate threat to health or safety. The latter are available to enable or support independent living, preventing the need for institutional care.
- 1.2 The total Scottish Welfare Fund awards made by the Council in 2015/16 were as follows:
- Total number of applications –10,161
 - Total number of awards – 7,352
 - % awarded – 72%
 - Total spend –£915,000
- 1.3 £900,000 was awarded to the Council by the Scottish Government for the financial year 2015/16 for Crisis Grants and Community Care Grants. This has increased to £921,000 for 2016/17.
- 1.4 The objective of this audit was to consider whether administration arrangements are robust and being complied with. This involved reviewing written procedures, interviewing staff and analysing a sample of grant awards made over the last twelve months.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Wayne Connell, Revenues and Benefits Manager and Steve MacRae, Scottish Welfare Fund Team Leader.

2. FINDINGS AND RECOMMENDATIONS

2.1 Procedures

- 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 of correct and consistent practices being followed, especially in the event of an experienced employee being absent or leaving.
- 2.1.2 Guidance has been produced by the Scottish Government, most recently in April 2016, covering the administration of the Scottish Welfare Fund (SWF), including decision making, definitions of terms, and indicative rates of awards. Copies of this are provided by the Service to team members. During audit testing the Service was found to be complying with this guidance.
- 2.1.3 The Service has basic procedures for staff covering day to day administration of awards and interactions with customers. These were reviewed and found to cover all essential points. However, the team's Cashing Up procedure conflicted with the Revenues & Benefits Risk Assessment procedure governing secure cash handling. The Aberdeen City Council Scottish Welfare Fund (ACC SWF) team are required to maintain levels of cash held in the office safe used for making awards. This involves cashing cheques at a local bank. While this is carried out by two members of staff, it is done without using a secure container, contrary to instructions in the Risk Assessment procedure. This exposes staff and valuables to the risk of theft or loss.
- 2.1.4 In order to improve the service to claimants and mitigate the risk regarding cash handling, the team intend to cease cash payments and use PayPoint electronic based technology as an alternative. Cash can be transferred to claimants using PayPoint technology either by text message to a mobile phone or by issuing an award letter with a PayPoint barcode. Either the PayPoint code sent by text or the PayPoint barcode on the award letter can then be redeemed for cash at an associated retailer.

Recommendation

In the interim, the Service should explore the use of a secure courier service to deliver cash to the office.

When cash or vouchers are being transported this should be done by a minimum of two members of staff using a secure container.

Service Response / Action

Agreed.

Implementation Date

August 2016

Responsible Officer

Revenues and Benefits
Manager

Grading

Important within audited
area

2.2 System

- 2.2.1 The Service uses Case Manager (Local Welfare Assistance) software provided by Capita. This system is also used by a number of other Local Authorities (LAs) and is hosted on a centralised server. Capita have access to the system in order to provide maintenance and support. A contract was agreed on 1 April 2013 for two years and it is being extended on an annual basis in line with other ICT systems.

- 2.2.2 As Case Manager is a hosted system, were it to become unavailable, the responsibility for recovery and reinstatement would lie with Capita. The arrangements for recovery are included in the contract and are considered adequate. The Service has advised that if the system were to be unavailable, the contingency plan would be to use paper-based applications processed manually. Some applications are already made using paper forms and secure storage arrangements are in place; files are stored in locked cabinets in the ACC SWF team office until they are sent to the City archives.
- 2.2.3 Case Manager can only be accessed from a registered IP address meaning that users inputting data must be based in the ACC SWF team office. The ACC SWF team comprises 9 members of staff and all have accounts permitting access to read and input data to the system. User accounts are created or cancelled on receipt of the appropriate form, authorised by a manager, by the Revenue & Benefits Technical Team.
- 2.2.4 Two members of staff based in the Customer Service Centre in Frederick Street have been granted read-only access to the system in order to handle queries about applications.
- 2.2.5 Under Data Protection regulations personal information should only be kept as long as necessary. It is a statutory requirement for SWF application data to be retained for 6 years plus current. As the Fund has only been in place since 2013, the first applications will not require destruction until 2020. When files are archived a flag is attached for the attention of the Archivists noting the required review date.
- 2.2.6 All Aberdeen City Council staff who deal with personal information are required to complete training courses on Data Protection and Information Security. During the audit training records were reviewed and all ACC SWF team staff have completed the data protection training; however one appeared not to have completed the information security training. The Team Leader advised that the training had in fact been completed and that HR would be advised to update the record.
- 2.2.7 A robust system of internal control requires that staff who administer a system should not have processing access and should not have sole responsibility for system reconciliations. The Case Manager system is administered by the Revenues and Benefits Technical team, who do not process applications. Applications are processed and decisions made by team members, while reviews and reconciliations are carried out by the Assistant Team Leader and supervised by the Team Leader.

2.3 Grants

- 2.3.1 Grants made from the ACC SWF budget do not have to be repaid by claimants. They should only be made to qualifying individuals or those in qualifying circumstances; the Guidance offers examples of qualifications. In order for a claim to be valid the applicant must be over 16 and on a low income. Claims should be made only to cover living expenses, essential items such as utilities or toiletries, or basic household goods. The Guidance offers indicative rates for awards for living expenses based on a proportion of the Income Support personal allowance rate, and certain items are excluded from being awarded.
- 2.3.2 A limit may be set on the number of claims made in a period. Under the SWF Regulations LAs need not consider more than 3 applications for Crisis Grants by an individual in a rolling 12 month period. However, they have discretion to allow multiple awards in exceptional circumstances; evidence should be retained to support the exception. There is no limit on the number of Community Care Grants that may be made to an individual in a year, but applications repeated within 28 days for the same items or services need not be considered if the circumstances have not changed.

- 2.3.3 Crisis Grants will be awarded as cash for food and utilities. Supermarket vouchers may occasionally be given as a cash equivalent if this is judged by the Service to be of benefit to the applicant. Cash and vouchers are held in the office safe and are made up by the team member as soon as the decision has been made, ready to be collected by the applicant. The award is then double checked by another team member to confirm the amount is correct.
- 2.3.4 Community Care Grants are awarded for essential household goods which are chosen from a catalogue, covering such basics as cookers, washing machines, bedroom furniture, and soft furnishings. The goods are supplied by The Furnishing Service under a Scotland Excel Framework Agreement. Invoices are sent to and processed by the Accounts Payable team; copies are emailed to the Service and details are input to a spreadsheet maintained by the Assistant Team Leader for reconciliation purposes (further discussed in 2.4.4 and 2.5 below).
- 2.3.5 Of the 5,385 Crisis Grants made in the first three quarters of 2015/16, 98% were processed within the 2 working days target set by the Scottish Government. For 2014/15 this was 96%, compared to a national average of 96%. As these payments are designated “crisis” it is important that the required timescale is achieved wherever possible. The Service advised that any delays were the result of necessary information not being supplied by the applicant in time.
- 2.3.6 Of the 1,810 Community Care Grants made in the first three quarters of 2015/16, 83% were processed within the 15 working days target set by the Scottish Government. For 2014/15 this was 51%, compared to a national average of 84%. The Service advised that the 2014/15 figures were below average because cases were not being closed in Case Manager, and therefore reported as processed, until invoices had been received from the supplier. The process was changed in 2015/16 so that the case is closed when the decision has been made, more accurately reflecting processing times.
- 2.3.7 In some cases the award is not redeemed, either because the applicant does not collect a cash award, or because they fail to arrange a goods delivery with the supplier. This is noted on the record within Case Manager and the value is re-credited to the Fund.

2.4 Applications and Awards

- 2.4.1 The Guidance states that LAs have discretion as to who should process applications and how the Fund should be linked to other support schemes. However a minimum of 3 channels should be available for taking applications. The ACC SWF team take applications by phone, online, and by post, and offer face-to-face support if required.
- 2.4.2 Applications are input to the Case Manager system, either directly if made online or by a member of staff if by phone or post. A record is created with a unique identifier and assigned to a member of the ACC SWF team, who accesses the application, and determines its type and priority. The claimant is identified by their National Insurance number. These identifiers allow staff to identify the number of applications made by the same individual and track the progress of current claims.
- 2.4.3 Due dates are assigned to tasks according to the nature of the case and these appear in the assigned team member’s workflow. As each application progresses through the system the stage and status are updated by the system as tasks are completed. The stage relates to the progression of the application while the status relates to the decision making and payment process. Once a decision has been made the record is completed by the team member with details on the decision making process and any award made, before the status is updated as Closed.

- 2.4.4 Awards are also recorded as soon as they are made in spreadsheets covering each calendar week, which identify the client number, the amount and type of award, and the team member responsible. Awards made, whether in cash or in kind, must be double checked by another member of staff to ensure that the award is for the correct amount or item.
- 2.4.5 Decisions are required under the Regulations to be notified in writing. The ACC SWF team attempts wherever possible to notify the applicant by phone as soon as the decision has been made. A letter is then generated, printed out at the end of the day and posted out as confirmation. If the applicant is unhappy with the decision they may request a Tier 1 review, to be carried out by the Service; failing this they may approach the Scottish Public Services Ombudsman for a Tier 2 review. Tier 1 reviews are carried out by the Assistant Team Leader and decisions, as above, are notified by phone and by letter.
- 2.4.6 15 each of Crisis Grant and Community Care Grant applications were reviewed to confirm that they were valid under SWF guidelines. All applications reviewed were comprehensively recorded in Case Manager. Checks had been made in every case to ensure that claimants were eligible, that need was appropriately prioritised, and that the claim was appropriate. Checks had also been made on how many applications had been made by the claimant within the past 28 days and 12 months.
- 2.4.7 In 6 cases (3 each of Crisis and Community Care Grants) awards were not made as the claims were found not to be valid. For all 3 Crisis claims, this was because the maximum number of claims within 12 months had already been made. For the Community Care Grants, this was because the applicant was found not to qualify.
- 2.4.8 15 each of Crisis Grant and Community Care Grant awards made were reviewed to confirm that they were made following SWF guidelines and were consistent with the applications. For all cases reviewed, the award matched that applied for; the decision was made within the required timescale, and notified to the claimant timeously; the award had been recorded as redeemed and records had been retained of the application, the decision making process, and where relevant the purchase orders for goods procured and the related invoices.
- 2.4.9 Evidence was available to support the decision in 27 cases. In two cases, the team member used their discretion to make the award without seeking further evidence as the claim was low value and plausible; this was approved by the Team Leader. In the remaining case, for a Crisis Grant, a Department for Work and Pensions (DWP) Customer Information System benefits check was attempted but was not possible as DWP systems were down. The team member used their discretion to make the award without further checks as the claimant was vulnerable and the need was assessed as high priority.
- 2.4.10 10 cases where a review had been requested were examined to confirm that reviews followed procedure per Scottish Government guidance and that reasons for declining awards, and for upholding or overturning decisions, were valid and fully recorded. All were Tier 1 reviews as the ACC SWF team has yet to have a Tier 2 review.
- 2.4.11 8 decisions were upheld and 2 were overturned. All of the original decisions had been made on valid grounds. Of the two which were overturned, one was because new evidence was obtained from a support worker demonstrating that an award would assist the applicant to continue a settled way of life. The other was because the award made was less than had been applied for, and while the amount originally awarded was consistent with similar cases, there was precedent for awarding more.

2.5 Reconciliations

- 2.5.1 All financial administration of the Fund is carried out by the ACC SWF team. Orders placed for goods to fulfil Community Care Grants, and cash awards for Crisis Grants, are recorded daily in spreadsheets covering each calendar week, as well as in the Case Manager system, which shows a running total of the monthly budget remaining. The running total is reviewed on a daily basis by the Team Leader and any unusual spend checked.
- 2.5.2 The values for cash and voucher awards are checked every day at close of business against the totals actually in the safe. Any cash counts lower than expected would be investigated by the Team Leader immediately. The Service advised that these are extremely rare and have always been found to be the result of an award made up but not yet collected.
- 2.5.3 Written procedures cover making up awards and cashing up at the end of each day. However, there is nothing in the procedures to state that cashing up should be carried out by at least two members of staff, to protect staff from suspicion in case cash counts are lower than expected. There is also no requirement for staff to evidence who carried out the check, by signing or otherwise authorising the count results. Providing an audit trail of checks done would give more protection to staff and assist investigations if necessary.

Recommendation

The Service should amend the Cashing Up procedure to require two members of staff to be present when cash is being counted, and to have staff sign or otherwise authorise the results of the daily count.

Service Response / Action

Agreed.

Implementation Date

Implemented

Responsible Officer

Revenues and Benefits
Manager

Grading

Important within audited
area

- 2.5.4 Copies of spending records for April 2016 were obtained and reviewed. All copies of spreadsheets and records were found to have been completed following procedures. The Pecos Orders spreadsheet, for goods awarded in fulfilment of Community Care Grants, should be completed with invoice data once invoices are received. It was observed that this had not been done in 4 cases out of 36. The Scottish Welfare Fund Assistant Team Leader advised that this was because the invoices had not yet been received. The cases were checked in Case Manager by Internal Audit and in all 4 cases the goods had been delayed at the request of the client due to unforeseen circumstances. Invoices are not sent by the supplier until the goods have been delivered.
- 2.5.5 On a monthly basis a ledger report is forwarded from Accounting which is checked by the Assistant Team Leader against the weekly spreadsheets. Item prices and financial codes recorded in the ledger report are also checked for anomalies. Errors are investigated by the Team Leader. The ledger report for April 2016 was obtained and reviewed; no errors or discrepancies were found.

2.6 Procurement of Awards in Kind

- 2.6.1 When a decision is made to give an award for goods, the team member responsible creates a requisition through Pecos, the Council's corporate procurement system. This means that order information is recorded both in Case Manager and in Pecos. The

Service advised that Case Manager cannot interface with Pecos and therefore the duplication of effort is unavoidable.

- 2.6.2 The client's contact details and the delivery address are sent to the supplier with the order, who confirms to the ACC SWF team when delivery has been made and sends an electronic invoice to the Accounts Payable team, copied to the ACC SWF team. The order is receipted in Pecos by the Assistant Team Leader and the invoice is processed and paid by the Accounts Payable team following their procedures.
- 2.6.3 10 orders placed within the current financial year were selected and reviewed in Pecos and InfoSmart to confirm that orders complied with Financial Regulations and Standing Orders on Contracts and Procurement. All orders had been placed through Pecos with the agreed Framework supplier; the orders matched the awards made, while the invoices matched the orders and had been paid timeously.

2.7 Reporting

- 2.7.1 The ACC SWF team is required to report data on applications and awards to the Scottish Government. Comprehensive Monitoring Guidelines have been produced by the Scottish Government on what data is required and how reports should be made. The Case Manager system was designed to be in full compliance with the reporting criteria.
- 2.7.2 Quarterly, an extract from the system is uploaded to the Scottish Government ProcXed site, run by the ScotXed Unit which collates statistics from LAs. This produces the annual report published each July by the Scottish Government. Each year since 2013, no further information has been requested after the data upload, indicating that the reporting by the ACC SWF team is sufficient.
- 2.7.3 In 2014 the Service was visited by a Scottish Government team carrying out case observations and the Service was advised to improve their records of decision making. All cases reviewed by Internal Audit dated from 2015 or 2016 and demonstrated clear and comprehensive records of decisions made.

AUDITORS: D Hughes
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L Jarvis

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	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 Council.
Major at a Service Level	<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>
Significant within audited area	<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>
Important within audited area	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.