



Internal Audit Report

Social Work

Family Centres

Issued to:

Gayle Gorman, Director of Education and Children's Services
Richard Ellis, Interim Director of Corporate Governance
Bernadette Oxley, Head of Children's Social Work
Euan Couperwhite, Head of Policy, Performance and Resources
Steven Whyte, Head of Finance
Anne Donaldson, Service Manager, Education & Children's Services
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

In order to ensure that income and expenditure, payroll records, inventories and computer security was adequately controlled and completed at Family Centres, three establishments were visited, and a sample of records examined.

There were areas of non-compliance and poor administrative practices identified at each of the centres visited and these are detailed in the report. In order to address the identified issues, the Service, with reference to Financial Regulations and assistance from the Finance Service, has agreed to provide staff with additional guidance.

1. INTRODUCTION

- 1.1 The Education and Children's Service operates 3 Family Resource Centres: Deeside Family Resource Centre, Tillydrone Family Resource Centre and Williamson Family Resource Centre. In addition they also operate a Contact Service within the Quarry Centre and 2 Intensive Support and Learning Services within Craigielea Children's Centre and Westburn. The Centres fulfil a number of functions within the community supporting vulnerable children/young people and their families where there are care and protection issues.
- 1.2 The objective of this audit was to consider whether income and expenditure, payroll records, inventories and computer security was adequately controlled and completed at the Centres. Three centres were visited during the course of this audit.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Bernadette Oxley, Head of Children's Social Work, Euan Couperwhite, Head of Policy, Performance and Resources, Anne Donaldson, Lead Service Manager and Fiona Cameron, Service Manager.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written 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. Guidance should be available to all and should reflect current systems and adhere to any regulatory requirements.
- 2.1.2 Administrative procedures have been provided to all centres, and this was confirmed during the visits. The procedures provide sufficient information to allow for the effective management of purchasing and payment for goods and services, and petty cash.
- 2.1.3 The procedures include a section explaining how an amenity fund bank account should be operated. However, the need for a Constitution (the rules governing the operation of the account) is not covered when it would have been expected that it do so. The absence of such governance documents increases the risk of funds being used inappropriately. Amenity funds are discussed in greater detail in Section 2.4 below.
- 2.1.4 Inventory guidance provided to centres is limited to the instruction 'to be done as and when'. Financial Regulation 5.6.3 requires that *"Each Director shall maintain on a continuous basis an inventory of equipment, furniture, information technology hardware and software, etc. ... Each Director is responsible for an annual checking of all items in the inventory. ... Each Director/Head of Service will appoint a "Registrar" from within their own Service responsible for maintaining inventories"*. Detailed instructions taking into account the recommendations relating to inventories discussed in section 2.5 below should be provided to staff.
- 2.1.5 Family Centres may also request funds from charities for the purchase of specific items for families who attend the Centre where a need is determined. It is important that they are managed correctly and in accordance with the Charities' conditions. Anomalies highlighted in section 2.4, below, suggest that production of guidelines would be beneficial.

2.2 Income & Expenditure

- 2.2.1 Family Centres do not charge for services provided as part as their daily activities. Therefore no testing was necessary with regards to income.
- 2.2.2 The Service uses PECOS, the Council's electronic ordering system for the majority of expenditure incurred. Exceptions to this include use and reimbursement of petty cash, services paid for as part of a contractual agreement, or where Suppliers are not on the PECOS system. Orders placed through PECOS must be approved within the system by an authorised member of staff (usually the budget holder) thereby ensuring that all orders placed are reviewed prior to the order being placed. Receipt of goods and services is recorded on the system, which then allows for the invoice to be processed by Accounts Payable when received.
- 2.2.3 By using the PECOS system for all orders it is not possible to circumvent the authorisation and review system. For this reason all orders, where possible, should be placed through the PECOS system. An examination of all goods and services purchased for a 12 month period at the 3 Family Centres showed that, with the exception of 4 instances out of 712, orders which should have been placed through the PECOS system, were.

- 2.2.4 Excessive order quantities or ordering of inappropriate items which are subsequently unused can put a strain on budgets and management of Centre funds. A review of a sample of expenditure chosen at random showed that all purchases were appropriate, both in nature and in quantity.
- 2.2.5 It was noted that one invoice from the Performing Rights Society, the value of which was allocated over a number of family centres, was signed by a member of staff from Finance. Whilst it is acknowledged that the member of staff is an authorised signatory, they are not the budget holder and should not be authorising invoices on behalf of the Service. However, Finance advised that they receive a consolidated invoice for all Education establishments for the provision of this service and before an invoice is paid each establishment is required to confirm usage and authorise the cost that will be posted to the budget.
- 2.2.6 All invoices which were examined as part of the sample of expenditure selected had been authorised for payment. It was however noted that 1 in 4 invoices (from a sample size of 20) had been paid outwith 30 days of receipt of the invoice. In one instance an invoice remained unpaid for a year. Failure to pay invoices within the appropriate time period can leave the Council open to financial penalties, withdrawal of credit facilities and can erode business relations with Suppliers. It is acknowledged that as more suppliers provide e-invoices directly to the accounts payable team, the risk of invoices being paid late will be lessened.

Recommendation

The Service should ensure that payment is made promptly following receipt of an invoice, once all necessary checks have been completed.

Service Response / Action

Agreed. Every effort is made to ensure that payment is made promptly at the resource centres. The reasons for the delays will be reviewed and discussed with Finance.

Implementation Date

July 2016

Responsible Officer

Senior Support Assistant
& Admin Officer

Grading

Important within audited
area

2.3 Petty Cash / Other Monies

- 2.3.1 Petty Cash should be used for low value infrequent purchases where the administrative cost of ordering items through PECOS would not be cost effect. All 3 Centres visited operate petty cash and record expenditure either in a spreadsheet or a hand written ledger.
- 2.3.2 Each Centres' imprest was counted and reconciled to the records of expenditure and receipts, cash held and outstanding claims, indicating appropriate control over the Funds.
- 2.3.3 The purchases and receipts were examined and all expenditure was considered to be appropriate. It was however noted that VAT was being reclaimed in some instances without an appropriate VAT receipt. Additionally where VAT was shown on receipts it was not always being claimed.

Recommendation

The Service should ensure that wherever possible, a valid VAT receipt is obtained and the VAT subsequently reclaimed.

The Service should ensure that VAT is not reclaimed without a valid supporting

receipt.

Service Response / Action

Agreed. Advice will be sought from the Finance business partner and guidance will be issued to staff.

Implementation Date

September 2016

Responsible Officer

Admin Officer

Grading

Important within audited area

- 2.3.4 The Administration Officers at each Centre confirmed that the imprest values were sufficient and confirmed that staff do not use their own monies and reclaim at a later date. Monies were held securely in locked tins within locked safes at all locations visited. Controls over cash held by one of the Centres for reimbursing travel costs to parents were found to be operating effectively.

2.4 Amenity / Other Funds

- 2.4.1 Amenity Funds are in operation at all 3 Centres with named staff mandated to operate on the account. There are no Service guidelines available to staff to advise how these accounts should be operated. To demonstrate good governance, Internal Audit's view is that every amenity fund should have a constitution detailing the objectives, aims and management of the fund as well as the staff responsible for the stewardship of the money. None of the establishments visited currently has a constitution. The Service advised that Financial Regulations does not specify a requirement for such funds to have a constitution.
- 2.4.2 The Service has an obligation to ensure that funds are held in a secure fashion and that access to cheque books and cash are suitably restricted. All cash and cheque books at the centres visited were held in locked safes.
- 2.4.3 Cheques books should require 2 signatories to ensure greater assurance over any spend which is incurred. It was noted at one centre that only one signature was required on cheques. Whilst the other Centres' cheque books required 2 signatories, it was found during Internal Audit visits that both had cheques that were pre-signed by one of the authorised signatories. This negates the control afforded from having two signatories and means that the signatory pre-signing cheques would be held to account should funds be used inappropriately. The Service has confirmed that following the audit these pre-signed cheques were destroyed and staff reminded that this practice should cease.
- 2.4.4 Bank mandates detail who may operate and authorise transactions on an account. The mandates for each of the amenity funds contain names of individuals who are no longer employed at the Centres but continue to be employed within the Family and Community Support Service. In two of the three centres Team Leaders continue to be signatories. At one centre the authorised signatories on the mandate are the Team Manager who is currently an acting Service Manager and a Lead Service Manager.
- 2.4.5 All Centres maintain a ledger record of account transactions. One Centre's amenity fund was last used in 2013. The Service advised that the account is not used frequently due to the nature of the service provided, and needs to remain open to allow for the purchase of equipment and resources for clients as and when required. All staff at each Centre advised that there is a regular reconciliation of the ledger to the receipts and bank account, and this was confirmed at two centres. There was no evidence of the checks having taken place within the third centre, additionally some information reflected in the ledger could not be reconciled to the bank statements.

- 2.4.6 Within one centre there is an 'Explorers Fund' which is financed through the Amenity Fund. Records for this were examined and receipts were present for all transactions. The Centre also has a 'Wellbeing Group' which supports both the physical and mental wellbeing of very vulnerable parents. Again all expenditure was appropriate with receipts for all transactions. It was however noted that there is no recorded reconciliation of these funds.

Recommendation

The Service should provide staff with guidance on the management and operation of amenity fund accounts to address control weaknesses identified in paragraphs 2.1.3 and 2.4.1 to 2.4.5 above.

Service Response / Action

Agreed

Implementation Date

August 2016

Responsible Officer

Children's Services
Manager

Grading

Important within audited
area

- 2.4.7 Expenditure from the Amenity Funds was examined to ensure that it was appropriate and that receipts had been retained where appropriate. In the majority of instances this proved to be the case, however anomalies were noted as below.

- 2.4.8 It was noted that one Centre had made a payment for public / products liability insurance. This was purchased to support the "Explorers Groups" that is underpinned by the Forest School process which is a specialised learning approach. The Team Manager advised that the Insurance Team was not consulted before this policy was procured. This breaches Financial Regulations which require that 'the Head of Commercial and Procurement Services, in conjunction with the Head of Finance, shall effect all insurance cover. Directors will ensure that all officers in their Service adhere to all insurance policy requirements, and the Head of Commercial and Procurement Services will arrange that the Council regularly tests the market by way of competitive tender to ensure best value is achieved'. The Insurance Team confirmed that they were not consulted prior to the procurement of this policy. The Team Manager of the Centre has been advised, and has agreed that on expiry of the current policy to seek advice from the Insurance Team.

Recommendation

The Service should comply with Financial Regulations and ensure that all insurance is requested through the Insurance Team.

Service Response / Action

Agreed. Further guidance will be provided to all centres in this respect.

Implementation Date

July 2016

Responsible Officer

Children's Services
Manager

Grading

Significant within audited
area

- 2.4.9 All Centres can apply to charities for funding for clients or clients' dependents when a need has been identified. Monies received are required to be spent in accordance with the original application or charity guidance, with charities requiring that original receipts for goods purchased are returned to them as proof of correct use of funds. It is incumbent on the Service to ensure that charitable donations are managed in an appropriate manner. Failure to do so may result in these donations ceasing and / or reputational damage to the Council in the event of mismanagement.

- 2.4.10 One centre received charity funding for a family in October 2015 who subsequently left the area before the monies could be spent. The money was not returned to the charity. It was noted that the Centre currently has receipts for £252.04 for goods purchased for a second family. There has been no charity application for this family, and the Centre confirmed that the original funding had been spent on this family instead.
- 2.4.11 At one centre, out of a £300 charitable donation received for a client, receipts were present for £280.38, with £19.62 reflected as being returned to the charity, six months previous. However this was not the case, £19.62 was being held in a locked tin within the safe. A further £12.45 which was change from a £100 charitable donation noted as having being returned to the charity was also being held. Within another centre, there was an amount of £6.16 remaining from a donation of £400 which was also to be returned to the appropriate Charity. Whilst it is acknowledged that most of the amounts are relatively low value, the Service should ensure that the balances are returned or should seek advice from the appropriate charity.
- 2.4.12 The Service advised that some of the clients for whom charitable donations are received are vulnerable and may have competing financial needs. It was noted at one centre that £300 had to be refunded to a charity due to a member of staff giving a client £300 in cash which was subsequently spent in a manner contrary to that intended. It was noted at another centre that two clients were given £250 and £100 in cash respectively. The Centre was awaiting the receipts four and three months respectively after the monies were given.
- 2.4.13 Whilst it was noted that all the clients highlighted above signed to acknowledge receipt of the funds, the Service has a responsibility to ensure compliance with the charity conditions and it may be prudent where possible that vulnerable clients are accompanied to make the required purchases.
- 2.4.14 Within one centre the charitable donations paperwork shows fields which require to be signed by staff members to acknowledge receipt of funds for clients. Five records were examined and it was noted that staff members had not signed for funds received on 2 occasions. It is important when cash is passed between members of staff, as well as to clients, that there is an audit trail. Staff should therefore ensure they sign for any monies received.
- 2.4.15 An examination of receipts at one centre identified an instance where a client had received charitable funding which was used to purchase a second hand mattress from the client's friend. A receipt was produced at the Centre, sent to the charity and accepted as evidence. Whilst it is acknowledged that there may be instances whereby the funding available may only allow for the purchase of second hand goods, in this instance it was sufficient to buy new. It is incumbent on staff to ensure that clients get best value for money. Goods purchased from a retailer will usually be accompanied by a guarantee.
- 2.4.16 It was additionally noted that the submitted receipts to the Charity also contained a receipt for a gift card. The Service cannot be assured that gift cards will be spent on the intended recipient. These are equivalent to cash which could be spent by someone other than the client or exchanged for cash.
- 2.4.17 It was found that at one centre there were no receipts to support the use of a charitable donation of £200. Staff at the Centre advised that the original receipts were sent to the charity and no copies were taken. In this instance there is no evidence that the monies were spent appropriately and there is an additional risk should receipts go missing in the post as there would be no records supporting the expenditure.

Recommendation

The Service should provide staff with guidance on how to manage charity funds to ensure compliance with the conditions of the award, to demonstrate good governance of funds and to address the control weaknesses identified in paragraphs 2.4.9 to 2.4.17 above.

Service Response / Action

Agreed.

Implementation Date

September 2016

Responsible Officer

Children's Services
Manager & Team
Managers

Grading

Important within audited
area

2.5 Inventories

- 2.5.1 Financial Regulation 5.6.3 requires that all services maintain an inventory of equipment, furniture, and information technology hardware and software costing in excess of £50. It also requires that the each inventory should be maintained on a continuous basis and have a physical annual check.
- 2.5.2 All of the Centres visited had an inventory. However, the frequency with which they are updated varies from relatively frequently to "as and when". Regular inventory checks allow for early identification of any missing items and also provide assurance over the condition of items. Additionally in the event of an item going missing, where an inventory has not been updated regularly it becomes difficult to identify when it went missing.
- 2.5.3 It is prudent for copies of inventory records to be held offsite or on a shared network drive to prevent loss of information. Only one of the Centres visited had the inventory on a shared drive.
- 2.5.4 The inventories were of a standard format and give space for details such as make and model of item, purchase date and estimated value. In a number of instances ~~cases~~ these details were not completed.
- 2.5.5 When disposing of items the method of disposal should be described and there should be two signatories to confirm the method and date of disposal. Without this record, the Service cannot be assured that items have been legitimately removed. Although items were noted as having been disposed of and a date was given, on most occasions the inventory had not been signed (either electronically or manually) to indicate that the items had been disposed of.

Recommendation

The Service should ensure that up to date inventories in accordance with Financial Regulations are maintained electronically or off site.

Service Response / Action

Agreed. Guidance will be provided to staff as per Financial Regulations.

Implementation Date

September 2016

Responsible Officer

Admin Officer

Grading

Important within audited
area

2.6 Security / Staffing

- 2.6.1 Family Centres have both cash and sensitive information on both PCs and in paper format on site. It is therefore important that access to areas where these are held is restricted. It was noted at all Family Centres that members of the general public are required to be let in to buildings by a staff member.
- 2.6.2 During the visits to the Centres it was noted that paper documents were kept in locked cabinets with access to office only areas of buildings generally restricted. In all cases cash and cheque books were held in locked tins within locked safes in rooms to which the general public have no access to. PCs were also observed to be locked when staff were away from desks.
- 2.6.3 The Service have confirmed that staff employed within the Centres have been PVG checked.

AUDITORS: D Hughes
M Beattie
D Henderson

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.