

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	30 April 2019
REPORT TITLE	Internal Audit Report AC1919 – Criminal Justice
REPORT NUMBER	IA/AC1919
DIRECTOR	N/A
REPORT AUTHOR	David Hughes
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Criminal Justice.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. BACKGROUND / MAIN ISSUES

- 3.1 Internal Audit has completed the attached report which relates to an audit of Criminal Justice.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. OUTCOMES

- 7.1 There are no direct impacts, as a result of this report, in relation to the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place, or Enabling Technology, or on the Design Principles of the Target Operating Model.
- 7.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council's framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Data Protection Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

9. APPENDICES

- 9.1 Internal Audit report AC1919 – Criminal Justice.

10. REPORT AUTHOR DETAILS

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Internal Audit Report

Adult Social Work

Criminal Justice

Issued to:

Sandra Ross, Chief Officer, Aberdeen City Health & Social Care Partnership
Alex Stephen, Chief Finance Officer, Aberdeen City Health & Social Care Partnership
Jonathan Belford, Chief Officer – Finance
Fraser Bell, Chief Officer – Governance
Lesley Simpson, Service Manager, Criminal Justice Social Work
Claire Duncan, Lead Social Work Officer
External Audit

EXECUTIVE SUMMARY

Criminal justice social work services aim to reduce reoffending, increase social inclusion of offenders and ex-offenders and enhance public protection. Scottish local authorities have a legal duty to provide criminal justice social work services.

Aberdeen City Health and Social Care Partnership is the main provider of criminal justice social work services in the city, working in partnership with other statutory and voluntary agencies to provide these services.

Contact with Criminal Justice Social Work Services is normally as a result of report requests, court orders or supervision following release from prison, and additional support may be provided under relevant sections of the Social Work (Scotland) Act.

For 2018/19 the main costs of the Service are funded by a Section 27 grant from the Scottish Government (£4.6 million).

The objective of this audit was to provide assurance that adequate control is exercised over income and expenditure, that system data is accurate and adequately supported, and that reporting arrangements between the Council and IJB are appropriate.

In general, this is the case, however weaknesses were identified in the application of procedures for documenting and authorising low value regular expenditure provided to meet service users' immediate needs, including: petty cash, pre-paid shopping vouchers and bus tickets. The Service has agreed to reinforce existing procedures, and review where Service-specific processes could be improved.

Financial Regulations have been breached in respect of issuing purchase orders in advance of making payment for goods and services. The Service will remind teams of the requirements, which have also been reiterated by the Health and Social Care Partnership's Chief Finance Officer.

A small amount of income is generated through the Unpaid Work team, for items that have been crafted that are then sold for donations. Controls over receipt and use of this income require improvement in order to demonstrate that the income is complete and has been accounted for appropriately. The Service is implementing a new process to address these findings.

1. INTRODUCTION

- 1.1 Criminal justice social work services aim to reduce reoffending, increase social inclusion of offenders and ex-offenders and enhance public protection. Scottish local authorities have a legal duty to provide criminal justice social work services.
- 1.2 Aberdeen City Health and Social Care Partnership is the main provider of criminal justice social work services in the city, working in partnership with other statutory and voluntary agencies to provide these services.
- 1.3 Section 27 of the Social Work (Scotland) Act 1968 sets out the duty of local authorities to provide specific Criminal Justice Social Work services with funding ring-fenced for the delivery of statutory services. Such services are primarily the preparation of reports for courts and parole board, supervision of offenders subject to court orders (primarily Community Payback Orders) and release licences (parole, non-parole, life, orders of lifelong restriction etc.), prison throughcare and voluntary aftercare.
- 1.4 The Management of Offenders (Scotland) Act 2005 established the Multi Agency Public Protection Arrangements (MAPPA) within which CJSW is a Responsible Authority.
- 1.5 Contact with Criminal Justice Social Work Services is normally as a result of report requests, court orders or supervision following release from prison, and additional support may be provided under relevant sections of the Social Work (Scotland) Act.
- 1.6 For 2018/19 the main costs of the Service are funded by a Section 27 grant from the Scottish Government (£4.6 million).
- 1.7 The objective of this audit was to provide assurance that adequate control is exercised over income and expenditure, that system data is accurate and adequately supported, and that reporting arrangements between the Council and IJB are appropriate.
- 1.8 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Lesley Simpson, Service Manager, Criminal Justice Social Work.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

2.1.1 There are standard Council procedures in place which cover how to deal with income, expenditure and procurement.

2.1.2 Internal Audit AC1701: Adult Social Work / Integration Joint Board Purchasing and Creditors highlighted the absence of procedures in respect of the purchase, handling and issue of pre-paid store cards, and new procedures were rolled out in May 2017 as a result. Whilst records of the issue of cards to service users are being retained, the teams contacted within Criminal Justice for the current audit were not aware of these procedures, and are therefore not applying them in full. Over £1,500 had been spent by the Service on these cards in the financial year to October 2018.

Recommendation

The Service should ensure all appropriate teams are aware of and applying relevant procedures.

Service Response / Action

Agreed. Procedures are already in place, and the Service will create a practice note to be issued to staff.

Implementation Date

July 2019

Responsible Officer

Service Manager
(Criminal Justice)

Grading

Significant within audited
area

2.1.3 Within the same Internal Audit report, improvements to controls over vouchers for bus travel were also agreed, and implemented in respect of staff use. However, there is currently no guidance covering distribution of bus vouchers to service users. Records are currently insufficient to provide assurance over the value of vouchers held and distributed. Over £8,000 had been spent by the Service on these cards in the financial year to October 2018.

Recommendation

The Service should implement procedures to cover holding, issuing and reconciliation of bus vouchers.

Service Response / Action

Agreed. The Service will review current practice, then consider and refresh guidance for all teams to follow.

Implementation Date

June 2019

Responsible Officer

Service Manager
(Criminal Justice)

Grading

Significant within audited
area

2.2 Income

2.2.1 The majority of income received is in the form of grants from the Scottish Government. For 2018/19, £4.6 million was approved for the S27 grant, and this funds the Criminal Justice service, including specific projects and general expenditure. Progress reports are provided by the Service as appropriate, and supporting financial information is reviewed by Finance before it is submitted to the Scottish Government, in line with the funding agreement.

2.2.2 A small amount of income is generated through the Unpaid Work team, for items that have been crafted that are then sold for donations. The items are made available at various Council establishments, with a donation box used to collect money from members of the public in return. The funds are stored until they can be collected by a member of the Unpaid Work team. The money is not counted until it is received in the office, where an administrator will complete a form detailing the amount of donations received. There are no checks in place to ensure that the correct person is collecting the funds, and no register of the timing, values or persons involved when funds pass between officers and locations. Whilst the values recorded on final receipt are low, there is therefore minimal assurance over their completeness and accuracy.

2.2.3 Although the donations are being collected for charity, and customers are advised of this, there are no specific agreements in place – a charity is selected at the end of the financial year. The VAT officer has noted that in the absence of a formal agreement, this income should be subject to deductions for VAT – which have not to date been applied. In addition, due to delays in selecting a charity for the last year’s donations, funds have been subsumed within the Service budget rather than being distributed as planned. Although the amounts involved are small (£600) there is a risk of penalties if VAT is not appropriately recorded, and reputational impact if funds are not used as stated.

Recommendation

The Service should review controls over donations received for the Unpaid Work team.

Service Response / Action

Agreed. The Service is currently working on a new process which is being put in place with the Unpaid Work team. The new process will ensure that all income is consistently logged and banked, and is distributed to charity before the end of each financial year.

Implementation Date

June 2019

Responsible Officer

Unpaid Work Manager

Grading

Significant within audited area

2.3 Expenditure

2.3.1 The Council’s Financial Regulations require purchase orders to be raised in advance of committing expenditure. The Council therefore has a ‘no purchase order, no payment’ policy in operation – subject to specified exemptions where alternative controls are in place.

2.3.2 From a sample of 10 items of expenditure, whilst one was exempt from the requirement, and another had been processed by another Service, six had been paid without a purchase order. The remaining two items had purchase orders raised on or before the invoice / despatch date.

2.3.3 Failure to raise purchase orders is a breach of Financial Regulations, and reduces assurance over prior authorisation, and adherence to other procurement and purchasing rules. The Health and Social Care Chief Finance Officer has also instructed teams that from the beginning of the next financial year all social care payments need to either be on Carefirst or have a purchase order, otherwise they should not be paid. Once goods and services have been obtained, there is limited opportunity to challenge the price and terms applied by the supplier.

Recommendation

The Service should ensure that purchase orders are raised in compliance with the Financial Regulations.

Service Response / Action

Agreed. Teams will be reminded of the requirements of raising purchase orders at the correct point in the procurement process in order to adhere to Financial Regulations.

Implementation Date

August 2019

Responsible Officer

Service Manager
(Criminal Justice)

Grading

Significant within audited
area

- 2.3.4 In one case the Service has been paying for broadband, outside of the corporate contract, for a location that had not been used for the last three years. The Service has confirmed that the annual payment of £540 had already been highlighted by IT / Digital and is being addressed.
- 2.3.5 Petty cash is intended to cover the purchase / reimbursement of small, relatively low value items, where other means of facilitating such a purchase would be inefficient. Imprests are held at various establishments, payments are made out of these as and when required, receipts and records should be retained, and the imprest reimbursed periodically – at which point the expenditure is coded and charged to the Service via the financial ledger system. A review was undertaken of eight petty cash reimbursements charged to Criminal Justice during 2018/19.
- 2.3.6 The Service was unable to find the corresponding paperwork for one payment. The Service stated that this was because a potential duplicate imprest reimbursement form had been identified and was being reviewed by Finance.
- 2.3.7 The petty cash procedures require all transactions to have prior authorisation. Whilst there may be emergency circumstances where it is not possible to wait for authorisation, this should then be sought as soon as possible afterwards. There was no evidence of prior authorisation being sought for any of the payments reviewed. This included the example at 2.3.9 below (where an officer authorised the imprest form and had received funds from petty cash), and another case where supplies had been delivered to an employee's home address. Control over the use of cash is reduced as a result.

Recommendation

The Service should ensure prior authorisation is given to all uses of petty cash.

Service Response / Action

The Service will review and implement appropriate procedures, however, there requires to be a level of flexibility as it is not always reasonable to ensure prior authorisation due to the nature of the service.

Implementation Date

July 2019

Responsible Officer

Service Manager
(Criminal Justice)

Grading

Significant within audited
area

- 2.3.8 Only one of the imprest reimbursement forms was dated when authorised. This reduces assurance that the transactions have only been processed following the date of approval.
- 2.3.9 One imprest form had been authorised by someone who had used petty cash that was recorded on that form. As per the Financial Regulations *Calculation, checking and recording of sums due shall be separated from the duty of collecting or disbursing such sums and Officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be participants or beneficiaries in any of these transactions.* Therefore, this person should not have authorised this imprest form and in doing so was in breach of Financial Regulations.

Recommendation

The Service should ensure all forms are appropriately authorised and dated.

Service Response / Action

Agreed. There is already a procedure in place and the Service will ensure that all teams are reminded of this.

Implementation Date

May 2019

Responsible Officer

Service Manager
(Criminal Justice)

Grading

Significant within audited
area

2.3.10 Petty cash is generally used for travel, food / drinks for meetings with service users, financial assistance to individual service users, or supplies for activities undertaken by teams.

2.3.11 Only five of the seven available sets of transactions were recorded in the standard log book, which includes a record of who had used the petty cash, the reason for the use, the value, the date of use, and evidence of who had handed out the cash and who had received it. In the other two cases, the transaction details were not consistently recorded. If the standard log book is not used, there is a less complete audit trail, and less assurance over the use of cash.

Recommendation

The Service should ensure the standard log book is used for petty cash.

Service Response / Action

Agreed. This will be incorporated into the revised procedures as agreed in action 2.3.7. Standard log books will be used and this will be audited on a quarterly basis

Implementation Date

July 2019

Responsible Officer

Service Manager
(Criminal Justice)

Grading

Significant within audited
area

2.4 System Files / Client Data

2.4.1 Where support is being provided, details should be held on the CareFirst system. If financial assistance is given, this must be supported by a financial assistance form and a record on the system.

2.4.2 For a sample of individuals with whom the Service has recently worked, there were CareFirst records to demonstrate their use of the Service, and where required there were records of payments made to them. However, in two of these instances neither the financial assistance form nor the CareFirst records showed sufficient detail of the reason for providing the approved level of financial assistance. Without this detail it will be difficult to demonstrate that assistance is only provided where necessary and appropriate.

Recommendation

The Service should ensure there are sufficient records of all financial assistance provided.

Service Response / Action

Agreed. The practice note for financial assistance payments will be reissued to staff

Implementation Date

June 2019

Responsible Officer

Service Manager
(Criminal Justice)

Grading

Important within audited
area

2.5 Reporting

- 2.5.1 Criminal Justice is included within the Chief Social Worker's annual report, and there are a small number of national performance indicators which will be monitored as part of the Partnership's wider suite of performance monitoring information. Financial monitoring, including Criminal Justice, is consolidated for review by the Integration Joint Board and Audit and Performance Systems Committee.

AUDITORS: D Hughes
C Harvey
R Brand

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.