

Argyll and Bute Council  
Internal Audit Report  
November 2020  
FINAL

# Scottish Welfare Fund

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	0	4	0

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## 1. Executive Summary

### Introduction

1. As part of the 2020/21 internal audit plan, approved by the Audit & Scrutiny Committee in March 2020, we have undertaken an audit of Argyll and Bute Council's (the Council) system of internal control and governance in relation to Scottish Welfare Fund (SWF).
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with council officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the Council.
3. The contents of this report have been agreed with the appropriate council officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

### Background

4. The SWF is a national scheme provided under the Welfare Funds (Scotland) Act 2015 and delivered on behalf of the Scottish Government by all 32 local authorities. The Welfare Funds (Scotland) Act 2015 ("the Act") places a statutory responsibility on each local authority to maintain a Welfare Fund. Local authorities have extensive discretion over how the scheme is delivered in their area, from taking and processing applications to fulfilment of grants.
5. Within the Council the scheme is administered by two full time equivalent benefit assessors within the Revenue and Benefits team.
6. The Welfare Funds objective is to provide a safety net to vulnerable people on low incomes through the provision of Crisis Grants and Community Care Grants. The Fund is normally a one-off grant for living expenses or household goods. It is limited to the amount of money made available to the Council annually by the Scottish Government. Therefore payments may be restricted. The Council regularly reviews the priority levels which they are able to support and these may be set differently for Crisis Grants and Community Care Grants.
7. Crisis Grants are provided where an individual is facing a disaster or emergency situation, and where there is an immediate threat to the health or safety of that individual or their family. Crisis Grants can be awarded to a single applicant three times in any rolling twelve month period. Community Care Grants are provided to help a qualifying individual establish or maintain a settled home. A Community Care Grant may also be provided to support individuals and families facing exceptional pressure. There is no limit on the number of Community Care Grants that can be awarded to an individual in a year.
8. Grant applications can be made via the Council's website, telephone, or in writing. For Crisis Grants a decision must be given as quickly as possible and no later than the end of the next working day. For Community Care Grants a decision must be made within 15 working days. Applicants are advised of the outcome of their application by telephone where possible and always in writing.

9. The Council's total allocation for the financial year 2020/2021 was £544k, with an additional £293k provided to support COVID. The total SWF applications processed by the Council during the period April to June 2020 was 581, with 329 awards being made totaling £72,183.

### Scope

10. The scope of the audit was to consider whether administration arrangements for assessing, processing and awarding grants are robust and whether relevant guidance is being complied with as outlined in the Terms of Reference agreed with the Revenues & Benefits Manager on 27 August 2020.

### Risks

11. The risks considered throughout the audit were:
- **SRR13:** The Council are unable to deliver core services as a result of the COVID virus with adverse impact to community and the economy
  - **Audit Risk 1:** Failure to comply with established policies and procedures
  - **Audit Risk 2:** Failure to ensure financial and management controls are in place and operating effectively
  - **Audit Risk 3:** Funds are not monitored and regularly reported

### Audit Opinion

12. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
13. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

### Recommendations

14. We have highlighted four low priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
- training records should be maintained for SWF staff
  - diary notes should be clearly recorded when payments are made which deviate from standard agreed rates
  - records of client engagement should be maintained in the diary section of CIVICA
  - budget monitoring reports and prioritisation recommendation reports to Financial Services Management team (FSMT) should recommence.
15. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

## 2. Objectives and Summary Assessment

16. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

### Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	Policies, procedures and statutory guidelines are in place to support the administration of the Scottish Welfare Fund	Audit Risk 1	Substantial	Statutory guidance produced by the Scottish Government is available to staff as is relevant and comprehensive Council guidance. Each member of staff is provided with training however training records are not maintained.
2	Claims are assessed and grants calculated in accordance with regulations	Audit Risk 1 Audit Risk 2	Substantial	Claims are assessed and grants calculated in accordance with regulations. Assessors have some discretion when applying awards however notes must be recorded to support any deviation from standard rates. We identified an instance where an amount was awarded out with Council guidance but no note was recorded as to why an additional sum was paid.
3	Claims and determinations are processed within required timescales with decision appropriately recorded	SRR13 Audit Risk 1 Audit Risk 2	Substantial	Sample testing confirmed applications for Crisis Grants are processed within the required timeframe. Where Community Care grants were processed out with the required timeframe there was justifiable reasons for this. Insufficient details are being recorded in the diary section of CIVICA regarding client engagement during an application process.
4	The Scottish Welfare Fund budget is appropriately monitored and reported	SRR13 Audit Risk 1 Audit Risk 2 Audit Risk 3	Substantial	Monthly budget monitoring updates are provided by Financial Services to the Revenues & Benefits Manager. Pre COVID a monthly report was sent to FSMT and then on to SMT, detailing the budget allocation, spend to date as a percentage of the profiled monthly spend to date and, if necessary, a recommendation on award prioritisation levels. This reporting ceased during COVID and has not recommenced.

17. Further details of our conclusions against each control objective can be found in Section 3 of this report.

### 3. Detailed Findings

Policies, procedures and statutory guidelines are in place to support the administration of the Scottish Welfare Fund

18. Council policies and procedures are in place for the administration of the SWF and each member of staff is provided with a 'training pack' which they can refer to. Staff training is provided in the form of work shadowing with an experienced member of the benefit team and a review of applications processed provided assurance that this training is effective. However, there are currently no staff training records maintained.

#### Action Plan 1

19. Standard documentation and guidance is available, including a:
- comprehensive guide of on how to manage the application process on Civica which is the Council's database for recording claims
  - standard application form available in paper format and on CIVICA
  - step by step guide to Scottish Welfare Grant applications
  - SWF Guide to assist officers seconded in to assist the benefit section during COVID
  - Prepaid User Guide for Allpay which is a secure web-based system predominantly used for Community Care Grants where the applicant does not have access to a bank account
  - standard template letters for notifying applicants of the outcome of their grant application
  - list of useful numbers for benefit assessors, including a list of external agencies.
20. Statutory guidance has been produced by the Scottish Government covering the administration of the SWF, including decision making. Copies of the guidance are provided to SWF fund assessors. Reference is made to this guidance when processing claims.
21. The statutory guidance states that local authorities must make provision for applications to be taken via three delivery channels. A standard application form is available online and in paper format. Applicants are able to telephone and speak to an assessor who will help them complete the application. Due to COVID face to face applications are currently on hold.

Claims are assessed and grants calculated in accordance with regulations

22. Claims are assessed and grants are calculated in accordance with regulations, although it was noted that benefit assessors have some discretion, within the guidance, when applying awards. During the period April 2020 to June 2020, 581 applications were processed with 252 applications being unsuccessful in receiving an award. Of the 252 applications rejected, 116 applications were incomplete or evidence was not provided to support the application. The table below provides a breakdown of applications received.

Month	Crisis Grant	Community Care Grant
April	181	46
May	145	48
June	89	72
<b>Total</b>	<b>415</b>	<b>166</b>
<b>Total Values Awarded</b>	<b>£23,360</b>	<b>£48,823</b>
<b>Average Award Value</b>	<b>£104</b>	<b>£493</b>

23. The statutory guidance allows local authorities to use a standard list of current prices for commonly applied for items. The Council has a standard reference document detailing the award amounts for Community Care Grants which provides assessors with clear guidance on award amounts to be made for standard household items. Testing confirmed these standard amounts are being applied and, where appropriate, delivery charges were included.
24. The Council has produced a standard reference table of daily amounts to be awarded for Crisis Grants which provides assessors with clear guidance on award amounts. Awards are based on 60% of DWP weekly allowances for those who are householders and 30% of DWP weekly allowances for those who are non-householders. This complies with statutory guidance. All but one of the 17 applications reviewed was found to be processed correctly and within the allowable calculations for awards. Flexibility is allowed within the calculations, however notes must be recorded in the diary section of CIVICA. In the instance where an amount was awarded which deviated from Council guidance there was no note recorded as to why an additional sum was awarded. An explanation was provided which highlighted extenuating circumstances impacting on the applicant's circumstances and therefore the award is considered to have been appropriate.

#### Action Point 2

25. An independent report was issued by the Poverty and Inequality Commission during the audit. The report reviewed the SWF across all councils and highlighted the percentage of claims awarded and the total budget spent for the period April 2020 to May 2020. Spend in local authorities ranges from 4% to 18% of their annual budget in April and May, with the Council being one of three councils with the lower % of budget spent. Details of the Councils SWF are highlighted below:

	% of budget spent in 20/21 (April/May)	% of applications awarded for Crisis Grants during Apr/May	% of applications awarded for CCG during Apr/May	Average award amount for Crisis Grants Apr/May	Average award amount for CCG Apr/May
Argyll & Bute	5%	55%	47%	£104	£390

26. The independent report referred to concerns about councils turning down a high number of applicants. Consequently we extended our sample testing to incorporate a further sample of 15 applications which were unsuccessful and reviewed these against the requirements of the statutory guidance. All were found to have been appropriately assessed and rejections were in line with the guidance.

Claims and determinations are processed within required timescales with decisions appropriately recorded

27. A random sample of thirty applications received for the period April 2020 to June 2020 was reviewed, including unsuccessful applications. All were found to be processed on a standard format on CIVICA with the supporting documentation held on the Council's document management system COMINO. All applications for Crisis Grants were processed within the required timeframe and decisions appropriately recorded.
28. The SWF is a discretionary fund and statutory guidance requires decision makers to detail the reasons for decisions should a case review be requested and also to record any reasons for deviating from the guidance. The guidance also requires decision makers to seek to gather necessary relevant information to fill any gaps in evidence and record any contact with the applicant in relation to the application. Our audit highlighted insufficient recording of client engagement in the diary section of CIVICA making it unclear how many attempts had been made to contact an applicant prior to closing the case due to insufficient supporting documentation being provided.

**Action Plan 3**

The Scottish Welfare Fund budget is appropriately monitored and reported

29. Appropriate arrangements are in place to monitor SWF spend. The Council's total allocation for the financial year 2020/2021 is £837k and for the period April to June 2020 a total of £72,183 had been paid out in grants. As a result of the pandemic, local authorities were given more flexibility in how it is used to ensure they can fully support people in financial crisis.
30. Monthly budget monitoring updates are provided by Financial Services to the Revenues & Benefits Manager. Prior to the COVID outbreak a monthly report was sent to FSMT and then on to SMT, detailing the budget allocation and spend to date as a percentage of the profiled monthly spend to date. Based on the budget information a recommendation is also made with regards to the prioritisation level for awarding applications for the following month. This reporting ceased during COVID and has not recommenced yet.

**Action Plan 4**



## Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Low	1	<b>Training Records</b>  Each member of staff is provided with a 'training pack' which they can refer to and training is provided in the form of shadowing an experienced member of the benefit team. However staff training records are not maintained.	Inconsistencies across benefit assessors when processing claims.	Training Log to be created for team members	Benefits Team Leader  31 December 2020
Low	2	<b>Diary Notes</b>  Claims are assessed and grants are calculated in accordance with regulations, although it was noted that benefit assessors have some discretion when applying awards however notes must be recorded to support any deviation from standard rates. In the instance where an amount deviated from the Council's guidance there was no note recorded as to why an additional sum was paid.	The Council may be unable to explain apparent inequality in grant making decisions.	Instruction to be issued to Team members reiterating the requirement for noting decision making process	Benefits Team Leader  31 December 2020
Low	3	<b>Client Contact Records</b>  The guidance requires decision makers to seek to gather necessary relevant information to fill any gaps in evidence and record any contact with the applicant in relation to the application. It was found that there was insufficient details recorded in the diary section of CIVICA with regards to client engagement and it was therefore unclear how many attempts had been made to contact applicants prior to closing a case due to insufficient supporting documentation being provided.	Non-compliance with statutory guidance	Instruction to be issued to Team members reiterating the requirement for noting decision making process, requests for evidence, documenting conversations etc.	Benefits Team Leader  31 December 2020

Low	4	<b>Budget Monitoring</b>  Prior to the COVID outbreak a monthly report was sent to FSMT and then on to SMT, detailing the budget allocation and spend to date as a percentage of the profiled monthly spend to date. Based on the budget information a recommendation is also made with regards to the prioritisation level for awarding applications for the following month. This reporting was ceased during COVID and has not recommenced yet.	Budget over or underspends may be left unmonitored with prioritisation levels incorrectly set.	Report position to FSMT in December 2020 and onwards to SMT as required.	Revenues and Benefits Manager  31 December 2020
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In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
<b>High</b>	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
<b>Medium</b>	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
<b>Low</b>	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
<b>VFM</b>	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the council to achieve better value for money (VFM).

## Appendix 2 – Audit Opinion

Level of Assurance	Definition
<b>High</b>	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
<b>Substantial</b>	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Reasonable</b>	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
<b>Limited</b>	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
<b>No Assurance</b>	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.