Internal Audit Report

Foster & Kinship Carer Overpayments

27 July 2026

CEJ2503

Overall Assessment	**Reasonable Assurance**

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This Internal Audit review is conducted for the City of Edinburgh Council under the auspices of the 2025/26 internal audit plan approved by the Governance, Risk and Best Value Committee in March 2025. The review is designed to help the City of Edinburgh Council assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Global Internal Audit Standards (UK Public Sector) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the City of Edinburgh Council. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

Executive Summary

Overall Assessment	Reasonable Assurance

Engagement conclusion and summary of findings

The audit concludes that there is reasonable assurance on the system of governance, risk management and control for the Foster and Kinship Carer Overpayments process.

The management of overpayment risks require to be improved with overpayment processes being fragmented across Foster, Kinship, and Carers Payments (Business Support) teams. The process is heavily reliant on manual tasks including the handling of manual overpayment calculations, which can cause issues with the verification of data and with resolving processing errors.

Control weaknesses were identified within the overpayment waiver process, which did not have adequate approval write off levels or formal senior management sign-off and did not fully comply with the Corporate Debt Policy.

There is no formal oversight of overpayments and write-offs by senior management, and no defined escalation arrangements for significant issues.

In addition, internal overpayment trackers are not consistently maintained, and supporting overpayment notes to explain the actions taken did not provide sufficient audit trail, and recovery actions were not always evidenced.

Key improvements are required to address the control weaknesses identified to reduce the associated risks, including:

- documented procedures should be reviewed and strengthened to ensure procedures, roles and oversight responsibilities are fully documented and consistently applied
- formal oversight and debt management processes should be implemented to support the monitoring and recovery of overpayments in line with the Council's Corporate Debt Policy
- a training and competency framework should be established to ensure staff capability and compliance requirements are maintained
- risk management processes should be improved to ensure risks are identified, assessed and regularly reviewed.

The Council is transitioning from the legacy Swift social care system to Mosaic, a cloud-based care management system. Implementation of Mosaic has been delayed, and it is now scheduled to go live in autumn 2026. Therefore, the audit was unable to consider any proposed improvements within the new Mosaic system to address identified control weaknesses.

Management engaged positively throughout the audit and recognised opportunities to strengthen existing control arrangements.

Audit Assessment

Audit Area	Control Design	Control Operation	Findings	Priority Rating
Risk Management			Finding 4 – Risk Management	Medium Priority
Procedures, training and communication			Finding 3 – Training and Competency Management	Medium Priority
			Finding 1 – Carer Overpayment Procedures and Processes	Medium Priority
Overpayment Identification and Recovery			Finding 2 – Overpayment Management and Reporting	High Priority
Governance, Monitoring and Oversight				

See Appendix 1 for Control Assessment and Assurance Definitions

Background and scope

The City of Edinburgh Council (the Council), through Corporate Parenting has a responsibility to look after care experienced young people. Children and young people can become involved in the care system in various ways. This includes those who live:

- at home but need to go to children's hearings
- with a family friend or relative rather than their birth parents (kinship care)
- with foster carers
- in a residential home with other young people who are in care.

In 2020, the Scottish Government committed to The Promise to improve outcomes for care-experienced children and young people. In Edinburgh, progress is overseen by the Council's Corporate Parenting Board, which monitors delivery of the Corporate Parenting Plan 2023–2026. As the current plan concludes in 2026, the Council is transitioning toward a longer-term, more integrated approach to corporate parenting.

Policy and Legislation

The Children (Scotland) Act 1995 is an overarching legal framework that mandates local authorities, such as the Council, to provide accommodation for children whose parents are unable to provide suitable care. Foster and kinship care allowances in Scotland are primarily governed by the Looked After Children (Scotland) Regulations 2009. The 2024 guidance updates the national guidance in the Children and Young People (Scotland) Act 2014 (Support for Kinship Care) and provides support for understanding The Kinship Care Assistance (Scotland) Order 2016.

Foster and Kinship Care

As of 16 June 2026, Edinburgh's care network includes 262 fostering households (incorporating continuing care) and 594 formal kinship carers. Of these kinship carers, 209 are 'looked after' children and 385 are 'non-looked after' children. The Council's carer expenditure (including adoption payments) for the 2026/27 financial year to date (up to 28 June 2026) is £4.2 million, following full-year totals of £15.7 million for 2025/26 and £15.4 million for 2024/25.

Foster and Kinship Care Overpayments

Kinship care can be either formal, Looked-after and Accommodated Children (LAAC), where a social worker is assigned, and the Council places a child for safety, or informal, Non-LAAC, which is a private family arrangement and carries greater financial risk because the service relies on carers to report changes to circumstance rather than an assigned social worker. Foster care, by contrast, involves approved carers supporting children who cannot live with their families. As both kinship and foster carers are paid in advance, any unplanned placement ending creates immediate overpayment.

During the 2024-25 financial year, the total recorded overpayments amounted to £203,360. Of this, £17,455 was waived before invoicing, while a minor amount of £262.81 was successfully reclaimed directly through immediate payments. A further £9,762 currently remains under active query. The remaining balance of £175,880 was formally invoiced to carers, which included £40,340 that was subsequently waived following the issuing of the invoice.

By comparison, the subsequent 2025-26 financial year saw a significant reduction in total overpayments, which fell to £133,624. Pre-invoice waivers dropped to £2,065, whereas non-invoiced recoveries increased to £634.88. The total amount processed through formal invoicing was £128,267. Post-invoice waivers were reduced to £2,592. The year ended with a reduced balance of £2,656 left under query.

The Carers Payments (Business Support) team operates primarily as an administrative support function to manage the overpayment process on behalf of the Foster and Kinship Teams.

Management have advised that the new Mosaic social care and case management system will be introduced in the autumn of 2026 and that once implemented, all carer payments will be moved from being paid weekly in advance to weekly in arrears which should reduce the number of overpayments that occur.

Scope

As Foster & Kinship Carer overpayments have been identified as a key risk within the service, the objective of this review was to assess the adequacy of design and operating effectiveness of key controls established to manage the Foster and Kinship Carer overpayment process.

A further audit review is proposed in a future years audit plan, to ensure that the Council is meeting the new national allowances introduced in August 2023 requirements, including the support and information provided to carers, processes for assessing and administering payments across the various age ranges, including back-dated payments, where relevant.

Alignment to Risk and Business Plan Outcomes

The review also considered assurance in relation to the following Corporate Leadership Team (CLT) risk categories:

- Legislative and Regulatory Compliance
- Financial and Budget Management
- Supplier and Partnership Management
- Service Delivery
- Fraud & Serious Organised Crime
- Reputational
- People

Business Plan Outcomes:

- Core services for people in need of care and support are improved.

Limitations of Scope

The following payments to carers will be specifically excluded from the scope of our review:

- Adoption Services
- Foster services delivered by external agencies

The review excluded proposed Mosaic system enhancements designed to fix identified control weaknesses. The Carers Payments (Business Support) team noted that the Mosaic system implementation is delayed until autumn 2026, and work on how information passes from team to team is still being developed and refined.

Reporting Date

Testing was undertaken between 2 April and 3 June 2026.

Audit work concluded on 19 June 2026, and the findings and opinion are based on the conclusion of work as at that date.

Findings and Management Actions

Finding 1 – Carer Overpayment Procedures and Processes

Finding Rating	Medium Priority

Compliance with Corporate Debt Policy

Overpayment processes require to be aligned to the Council's Corporate Debt Policy, to ensure compliance with the policy. Testing highlighted that overpayment procedures did not fully cover the following:

- the maintaining of complete and accurate overpayment records
- formal reconciliation and information-sharing arrangements with Accounts Receivable
- assigning responsibility for control gaps and establishing escalation processes for unresolved recoveries

In addition, it was noted that the Family Based Care Team Manager currently 'waives' overpayments without a documented approval process or formal senior management sign-off.

Outdated Procedures and Records Management

Overpayment processes across Foster, Kinship, and Carers Payments (Business Support) teams are fragmented, manual, and reliant on multiple systems and local working practices. The Council's Records Management Plan and retention schedule require records to be maintained, controlled, and retained appropriately; however, testing found that the Orb does not contain accessible or up-to-date procedures, while shared drive folders contain outdated information dating back to 2007 with no evidence of routine housekeeping or document control.

In addition, internal overpayment trackers are not consistently maintained, supporting notes do not provide a sufficient audit trail, and recovery actions are not always evidenced. Limited review of procedures, records, and operational documentation has contributed to outdated information, inconsistent record keeping, and reduced transparency over overpayment recovery activity.

Communication and Transparency with Carers

Correspondence with Kinship Carers regarding payment rates and reporting responsibilities were inconsistent, with limited guidance published on the Council's website. Direct correspondence such as letters are generic and not tailored to individual carers' circumstances, such as one example where carers are asked to contact their assigned social worker when no social worker is involved.

Risks

- **Governance & Decision Making** – fragmented oversight of overpayments may result in inconsistent decision-making and ineffective management of overpayment risks
- **People** – carers may lack understanding of the carer payment process including when to notify the Council if they are no longer eligible for carer payments, leading to overpayments

Recommendations and Management Actions: Carer Overpayment Procedures and Processes

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
1.1	The Carers Payments (Business Support) team should lead the implementation of a new joint framework with the Foster Care and Kinship teams to manage the overpayment process. This framework should include the following: • documented end-to-end procedures, including the approach to waivers and debt write-offs • clear roles and responsibilities • authorisations and approvals • periodic reviews of processes and procedures • robust oversight and governance arrangements • all overpayment procedures and operational records should be stored in a central location that's easily accessible to relevant staff and comply with the Council's Records Management manual.	Carers Payments will provide a suite of end-to-end procedures, including the approach to waivers and debt write-offs. Invoices raised on Apex –tracker will be shared every month with Kinship Team Leaders and Foster Team Leaders including details of current overpayments, inclusive of outstanding overpayments. An escalation process will be embedded for follow ups on Over Payment actions with Family Based Care Senior Management. This will be included in the End-to-End Procedures.	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments Service Manager, Fostering and Adoption Team Service Manager, FGDM & Kinship	29/01/2027
1.2	Effective processes should be introduced between Family-Based Care and the Accounts Receivable team to ensure compliance with the Corporate Debt Policy, and should include: • the maintaining of complete and accurate overpayment records, which will be maintained by Business Support	Will be included in the End-to-End Procedures – compliance with Corporate Debt Policy and clear sign off at senior level and clear information sharing arrangements with Accounts Receivable. A Data Protection Impact Assessment (DPIA) will be completed as part of	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments, Service Manager – Fostering and Adoption Team Service Manager, FGDM & Kinship Service Manager, FGDM & Kinship	29/01/2027 29/01/2027

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
	• implementing formal reconciliation and information-sharing arrangements with Accounts Receivable • assigning responsibility for control gaps and establishing escalation processes for unresolved recoveries.	the development of record and information sharing arrangements.			
1.3	A clear communication process for carers should be established which includes timely notification of allowance rate changes and payment updates together with standardised communication templates.	Service will ensure Council website is updated and includes information on payment rates and any changes to allowance rates. (Kinship and Fostering) Regular communications will continue and payslips will also enhance awareness for carers.	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments, Service Manager, Fostering and Adoption Team Service Manager, FGDM & Kinship	30/11/2026 31/03/2027 to allow time for Mosaic to be embedded

Finding 2 – Overpayment Management and Reporting

Finding Rating	High Priority

Overpayment Management

Effective financial management arrangements require overpayment information to be complete, accurate, and regularly reconciled, with recovery and write-off decisions supported by appropriate approval arrangements.

Sample testing identified differences between overpayment records maintained by Accounts Receivable and those held by the Carers Payment (Business Support) team with 23 outstanding overpayments being pursued by Accounts Receivable team from 2023-24 unknown to the Carers Payments (Business Support) team.

As a result, the completeness and accuracy of overpayment information cannot be readily verified. Testing also identified variations in the management of overpayment recoveries, waivers, and write-offs, including instances where write-off requests had been initiated by staff without delegated authority. These issues have arisen because overpayment information is maintained across multiple teams without regular reconciliation.

Reporting and Oversight

Effective governance requires clear reporting and escalation arrangements to support the timely identification and resolution of financial issues. Reports are currently prepared by the Carers Payments (Business Support) team and shared with the Foster and Kinship team monthly, but there is no clear documented process for the oversight of overpayments and write-offs by senior management, including routine review of unusual variances, or defined escalation arrangements for significant issues. This is due to reporting and escalation arrangements for overpayments evolving over time.

Operational Inefficiencies

Currently, the accounts receivable system records debt under a single, generic "ED" code, restricting management's ability to analyse debt trends or distinguish between debt categories. Additionally, the process relies on manual calculations and adjustments as the current Swift system does not provide an overall total when calculating an overpayment. This has occurred because of legacy system configurations limits, and management has not updated existing processes.

Risks

- **Governance & Decision Making** – lack of reporting, oversight, and escalation arrangements for overpayments and write-offs may result in significant financial issues not being identified, scrutinised, or addressed promptly.
- **Financial and Budget Management** – inaccurate and unreconciled overpayment records, combined with inconsistent waiver process and write-off arrangements, may result in financial losses and inaccurate reporting.

Recommendations and Management Actions: Overpayment Management and Reporting

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
2.1	A clear documented management oversight process for Carers Payments and Kinship Payments should be implemented and should include:	Service Managers will work with Business Support to ensure the end-to-end procedures include monitoring, reporting and reviewing.	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments,	26/02/2027

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
	• regular overpayment reporting • variance and exception monitoring • investigation and escalation procedures, and • documented management review arrangements • alignment and adoption of the new Mosaic system functionality and associated efficiencies and automations, as well as limitations.			Service Manager – Fostering and Adoption Team Service Manager, FGDM & Kinship	
2.2	Overpayment reporting and debt management processes should be strengthened by implementing formal reconciliation procedures between Carers Payments (Business Support) and Accounts Receivable, reviewing debt coding arrangements, and maintaining a central record of overpayments, recoveries, waivers and write-offs to support consistent monitoring and reporting.	**Corporate Parenting Response:** Included in End-to-End Procedures. **Accounts Receivable Response:** A new Debt Type has been provided to Family Based Care which is now 'FK'. This Debt type will produce relevant reports on Apex and training can be provided to Family Based Care for monitoring and reporting.	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments, Service Manager – Fostering and Adoption Team Service Manager, FGDM & Kinship Debt Recovery Manager	30/11/2026 Completed

Finding 3 – Training and Competency Management

Finding Rating	Medium Priority

Effective training arrangements ensures staff maintain the knowledge and skills required for their roles and comply with mandatory learning requirements.

The Carers Payments (Business Support) team does not have a formal training framework or completed competency matrix to demonstrate staff training compliance. Training and operational guidance are primarily delivered through informal arrangements, with limited evidence of structured staff development or service-specific procedural training.

Management advised that training, onboarding, and staff development have historically been managed on an ad hoc basis, with operational priorities taking precedence over maintaining structured training and competency records.

It was noted that Foster, Kinship and Carers payments (Business Support) teams are unaware on how to request or distribute accessible communication formats which is a requirement under the Equality Act 2010. The teams were also unaware of the Council's inclusive communication tools.

Risks

- **People** – the absence of formal training, competency frameworks, and training records may result in staff lacking the knowledge and skills required to perform their roles consistently and effectively
- **Service Delivery** – reliance on informal training and onboarding arrangements may result in inconsistent application of procedures, increased risk of errors, and reduced quality and resilience of service delivery.

Recommendations and Management Actions: Training and Competency Management

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
3.1	An overpayment training and competency framework should be implemented for Carers Payments (Business Support) overpayment process. The Foster and Kinship teams training should ensure that staff have an understanding of the overpayments process and an awareness of how the actions they take/don't take has an impact on the overpayment process.	Performance/KPI relating to completion of Change of Circumstances form to reduce the risk of overpayment (this may change with Mosaic introduction). Procedure changes and roll out of new 'end to end procedures will include training event for all existing colleagues and will be added to induction process for all new colleagues. Training for Business Support payment management - Guidance around the process for dealing with Over Payments in Mosaic is being developed and all Carers Payments staff will receive training.	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments, Interim Head of Children's Practice Teams, YPS & CAD Business Support Team Manager, Carers Payments, Service Manager – Fostering and Adoption Team	29/06/2027

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
		A matrix has been fine tuned to track and record training completion and requirement across the Carers Payments team.		Service Manager, FGDM & Kinship	
3.2	Management should make arrangements to ensure that staff are trained on how to request or distribute accessible communication formats which is a requirement under the Equality Act 2010. In addition, management should ensure that the teams have an understanding of the Council's inclusive communication tools.	A communication will be provided to carers about Over Payments. Training will be provided to carers, staff and Business Support in relation to Over Payments. Awareness raising and training should be on a rolling 2-year basis.	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments, Service Manager, Fostering and Adoption Team Service Manager, FGDM & Kinship	31/10/2026 29/07/2027

Finding 4 – Risk Management

Finding Rating	Medium Priority

The Council's risk management framework requires material operational, financial, and fraud risks to be identified, assessed, monitored, and regularly updated.

The Corporate Parenting and Children, Education and Communities risk registers do not capture risks relating to overpayments such as financial, operational, and fraud risks. Key risks, including foster and kinship overpayments are not recorded.

In addition, review of the Corporate Parenting risk register highlighted weaknesses in action tracking, risk ID consistency, progress monitoring, and defined timelines. Evidence of risk management training for Foster, Kinship Carers Payments (Business Support) teams' staff was also not available.

Risk management processes are overly centralised, with limited involvement from operational Foster and Kinship and the Carers Payments (Business Support) teams in identifying and managing risks.

Inadequate governance, inconsistent risk register practices have reduced the effectiveness of risk oversight.

Risks

- **Service Delivery** – incomplete risk registers, and limited operational involvement may result in key overpayment risks not being identified.
- **Fraud and Serious Organised Crime** – the absence of documented overpayment and fraud risks within risk registers, may reduce the Council's ability to identify, prevent, or respond to potential fraud risks
- **Financial & Budget Management** – failure to formally identify and monitor overpayment risks may result in financial losses and reduced assurance over financial controls and recovery processes.

Recommendations and Management Actions: Risk Management

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
4.1	Management should review operational risk management practices by ensuring adherence to the Council's risk management processes and ensure that financial, operational, and fraud risks within the Foster and Kinship Carers overpayment process are identified and effectively managed, within the Corporate Parenting risk register.	Managers will review emerging risks and ensure these are captured within the Corporate Parenting Risk Register and escalated to the Divisional Risk Register.	Corporate Director Children, Education and Communities	Interim head of Service, Corporate Parenting Business Support Team Manager, Carers Payments, Service Manager, Fostering and Adoption Team Service Manager, FGDM & Kinship	29/01/2027

Ref.	Recommendation	Agreed Management Action	Action Owner	Lead Officers	Timeframe
4.2	Operational teams should actively be involved in the identification, assessment and review of risks within the overpayment process. Foster and Kinship Carers payments (Business Support) staff should complete the role-specific risk management training to support understanding in this area.	End to End Overpayment Procedures will include information on identifying, assessing and reviewing risks associated with overpayments. Fraud Risk Toolkit will be implemented to monitor risk of fraud. Risk will be added to Team Meeting agenda.	Corporate Director Children, Education and Communities	Business Support Team Manager, Carers Payments, Service Manager, Fostering and Adoption Team Service Manager, FGDM & Kinship	29/01/2027

Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating	Control Design Adequacy	Control Operation Effectiveness
Well managed	Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory	Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity	Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity	Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
N/A Control Not Tested	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

Overall Assurance Ratings	
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

Appendix 2 – Areas of Audit Focus and Control Objectives

Audit Areas	Control Objectives
Risk Management	• risks related to Foster & Kinship Carer overpayments are identified, recorded and managed within a service risk register, and regularly reviewed to ensure appropriate mitigating actions are in place and remain effective, with escalation to divisional and directorate level risk committees where required. This includes consideration of fraud and serious organised crime related risks.
Procedures, training and communication	• there are clearly established procedures in place for the Foster and Kinship Carer overpayments process which are adhered to • training for officers involved in the overpayments process is relevant, clearly understood, completed on time and monitored • carers are provided with clear, timely, and accessible information regarding allowance rates, payment arrangements, how entitlements are calculated, and proposed overpayment repayment arrangements.
Overpayment Identification and Recovery	• foster and kinship carer overpayments are identified promptly, accurately calculated, and properly recorded • recovery arrangements in place for overpayments are appropriate, timely, and applied consistently in line with the Council's Corporate Debt policy • outstanding overpayment balances are effectively monitored, reported, and managed, with clear accountability and escalation arrangements.
Governance, Monitoring and Oversight	• there are effective monitoring and oversight arrangements in place to support the Foster and Kinship Carer overpayment process, including regular independent checks and reviews which capture any unusual variances or signs of fraudulent activity • there is an effective process to identify, escalate, resolve and learn from errors or non-compliance and feedback and complaints from carers are monitored and used to support ongoing improvement.