
NORTH AYRSHIRE COUNCIL

15 November 2022

Audit and Scrutiny Committee

Title: Internal Audit Reports issued

Purpose: To inform the Committee of the findings of Internal Audit work completed between September and October 2022.

Recommendation: That the Committee considers the outcomes from the Internal Audit work completed.

1. Executive Summary

- 1.1 The Council's local Code of Corporate Governance requires effective arrangements to be put in place for the objective review of risk management and internal control. Internal Audit is an important element in this framework as it reviews internal controls and offers Elected Members and officers an objective and independent appraisal of how effectively resources are being managed.
- 1.2 The remit of the Audit and Scrutiny Committee includes the monitoring of Internal Audit activity. The submission and consideration of regular reports assists the Committee in fulfilling this remit.

2. Background

- 2.1 This report provides information on Internal Audit work completed between September and October 2022. Internal control reviews have been completed in respect of the areas detailed in Appendix 1 to this report. The aim of these reviews is to provide assurance that the internal control framework within the areas examined is appropriate and operating effectively.
- 2.2 The findings from each audit assignment have been notified in writing to the Chief Executive, the Section 95 Officer and the relevant Executive Director and Head of Service on the completion of each assignment. Where appropriate, this has included an action plan with recommendations for improving internal control. Appendix 1 includes the report and action plan from each audit.
- 2.3 The findings from three separate audit assignments are detailed at Appendix 1 to this report and the levels of assurance for each are noted in the table below:

Audit Title	Assurance Level
Building Services Procurement	Substantial
Roads – Stores Controls	Substantial
Care Home Admissions	Substantial

3. Proposals

- 3.1 It is proposed that the Committee considers the outcomes from the Internal Audit work completed between September and October 2022.

4. Implications/Socio-economic Duty

Financial

- 4.1 None.

Human Resources

- 4.2 None.

Legal

- 4.3 None.

Equality/Socio-economic

- 4.4 None.

Climate Change and Carbon

- 4.5 None.

Key Priorities

- 4.6 The work of Internal Audit helps to support the efficient delivery of the strategic priorities within the Council Plan 2019-2024.

Community Wealth Building

- 4.7 None.

5. Consultation

- 5.1 The relevant Services are consulted on Internal Audit findings during each audit assignment.

Mark Boyd
Head of Service (Finance)

For further information please contact **Laura Miller, Senior Manager (Audit, Fraud, Safety and Insurance)**, on **01294 324524**.

Background Papers

None.

BUILDING SERVICES PROCUREMENT

1 Background

- 1.1 Building Services procurement was last audited in 2017/18.

2 Objectives and Scope

- 2.1 The objective of this audit was to:-
- Ensure the Council's Standing Orders relating to Contracts are being applied when procuring goods and services
 - Confirm that invoices authorised for payment in ROCC URM are subject to the same level of scrutiny and authorisation as those being processed directly through Integra.

3 Findings

Standing Orders relating to Contracts

- 3.1 The Council's Standing Orders relating to Contracts sets out the process for awarding a contract, depending on the anticipated level of spend.
- 3.2 Audit selected a sample of 20 suppliers with varying levels of actual spend and reviewed the contract in place to ensure if complied with Standing Orders. The following issues were highlighted during testing:-
- 3.3 Audit noted 2 suppliers where levels of spend were sufficient to require a quick quote or contract to be put in place. Discussions with Building Services confirmed that both of these suppliers are used at the request of other services, which makes it difficult to estimate an annual spend for tendering. Building Services highlighted that 3 written quotes are obtained for such jobs, thereby ensuring best value is being obtained. Audit confirmed this via sample testing.
- 3.4 One supplier was found to have a contract in place, but the Council had spent in excess of the contracted value. Discussions with Corporate Procurement and Building Services highlighted that they had already identified this issue and had taken steps to address it. The Services explained that a business case had been produced that confirmed staying with the supplier was the best option for the Council and a new contract was negotiated, with a start date of April 2022.
- 3.5 Building Services have confirmed that they have a process in place for monitoring supplier spend against contracts. Audit did not test this system in detail during the audit.

ROCC URM transactions

- 3.6 The majority of Building Services' purchases are managed via a job costing system called ROCC URM. This system allows Officers to raise purchase orders, receipt goods and approve invoices as fit for payment. A feeder is then used to transfer approved invoices into Integra for payment.

- 3.7 Audit confirmed that officer's authorisation levels in ROCC correspond with those in Integra.
- 3.8 Audit selected a sample of 10 invoices originating in ROCC and ensured:-
- purchase orders have been approved by an authorised officer
 - any variations to the original order have been approved by an authorised officer
 - goods received information is available (if applicable – some orders are for sub-contractors rather than goods)
 - invoice is marked as 'reconciled'.
- 3.8 No issues were noted during detailed testing.

4 Internal Audit Opinion

- 4.1 Overall, substantial assurance was obtained with regard the elements of Building Services procurement processes covered by this audit.

Definitions of Assurance Levels:

Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	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	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.
None	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.

NB The level of assurance given is at the discretion of Internal Audit.

ROADS – STORES CONTROLS

1 Background

- 1.1** Goldcraigs depot is responsible for controlling the issuing, replenishment, and security of Roads stock.

2 Objectives and Scope

- 2.1** The objective of this audit was to ensure that:-
- The Council's Standing Orders relating to Contracts are being adhered to
 - Robust procedures are in place regarding stock purchases
 - Robust procedures are in place for recording the issuing of stock
 - Physical controls are in place to protect stock from loss or theft

3 Findings

Standing Orders relating to Contracts

- 3.1** Audit identified the top 5 stock suppliers in 2021/22 and in 2022/23 (up to the end of August 22) and reviewed the contractual arrangements in place.
- 3.2** All contracts were found to be in line with the requirements of the Council's Standing Orders.

Stock Purchase Procedures

- 3.3** Roads use a dedicated stock management system called RCM.
- 3.4** A combination of RCM and manual processes are used to order stock, record stock movements and approve invoices.
- 3.5** Once approved, invoices are keyed into Integra for payment.
- 3.6** Audit selected a sample of 10 stock invoices paid in 2022/23 and for each ensured:
- the order was approved by an authorised signatory
 - RCM stock records had been updated to reflect the receipt of goods
 - Invoiced quantities had been compared to goods received
 - Invoices had been approved by an authorised signatory
- 3.7** Audit testing highlighted that 9 out of the 10 orders reviewed had not been approved by authorised signatories (although the subsequent invoice had been approved by an authorised signatory).
- 3.8** This issue was immediately raised with Roads Management who agreed that the officers who had been 'approving' orders should have the authority to do so, and therefore took steps to have them approved as authorised signatories.

Issuing of stock

- 3.9** Audit testing on the process of issuing stock was limited to on-site discussions with officers at Goldcraigs.

3.10 Officers were able to demonstrate the daily paper trail involved in the issuing of stock and confirmed that all paperwork is reconciled daily before any stock adjustments are noted in RCM.

3.11 The recording of issued stock was considered as part of the testing of stock controls below.

Stock controls

3.12 Weekly stock checks of the 45 most commonly used items confirms the ongoing accuracy of RCM.

3.13 A full count of all stock is undertaken annually - in line with the Council's year-end financial procedures.

3.14 Any differences identified during these counts must be reported to a Team Leader, who will seek explanations and adjust the stock records on RCM as necessary. No staff at the depot have the ability to amend stock records.

3.15 Audit testing involved:-

- Requesting evidence of 6 of the weekly counts
- Attending the depot and performing a stock count of 10 stock items
- Performing a high level review of site security.

3.16 No issues were noted during testing.

4 Internal Audit Opinion

4.1 Overall, substantial assurance was obtained with regard to Roads stock controls.

4.2 Roads took immediate action to correct the issue regarding authorised signatories highlighted in 3.7 above and are now aware of the need to ensure that authorisation levels are applicable to purchase orders as well as invoice approvals.

Definitions of Assurance Levels:

Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	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	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.
None	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.

NB The level of assurance given is at the discretion of Internal Audit.

CARE HOME ADMISSIONS

1 Background

- 1.1** Since September 2020 there has been a change to the care homes admissions process and new managers have taken on the process. This audit was to assess whether previous issues with admissions have been addressed.
- 1.2** Care homes have continued to admit new residents throughout the Covid-19 pandemic with the inclusion of additional Infection Prevention and Control measures being in place to ensure this was managed as safely as possible. In addition the HSCP were asked by Scottish Government to ensure appropriate oversight arrangements were in place for care homes during the pandemic, the North Ayrshire Care Home Oversight Group has been in place since April 2020 initially meeting daily and continuing to meet at least fortnightly to take an MDT approach to oversight and assurance over care homes in North Ayrshire.

2 Objectives and Scope

- 2.1** The main objectives of the audit were to ensure that:
- sufficient information was available to make an informed choice
 - the process is robust and fair
 - there is a financial trail
 - the admission process is more efficient.

3 Findings

Informed Choices

- 3.1** There are 24 care homes in the North Ayrshire Council catchment area, 12 of which offer nursing care level of support. The council runs three of these homes, four are managed by voluntary organisations and the rest are privately owned. Information on their location, client reviews and performance are available on the Care Home North Ayrshire website.
- 3.2** The Care Inspectorate is responsible for the inspections and maintenance of standards. Inspection reports are published online and available to read online on the Care Commission's website.
- 3.3** Since 2019 there have been 32 inspections by the Care Inspectorate with the following themes:
- How good is our leadership?
 - How good is our setting?
 - How well do we support people's wellbeing?
 - How good is our staff team?
 - How well is care and support planned?
- 3.4** During the Covid 19 period the Care Commission visited seven care homes two of which received poor ratings subsequently upgraded after a second visit. Four visits were not assessed. The oversight for care home inspection gradings,

feedback and actions required is undertaken by the Care Home Oversight Group. The Integration Joint Board receive an annual update in the Annual Performance Report of the inspection gradings of all registered social care services during the year.

Admissions

- 3.5** During the COVID period the admissions process from the community remained in place. Whilst pre-pandemic funding restrictions limited the number of care home placements and led to waiting lists, these restrictions were lifted over the Covid-19 response period. Over the same time hospital admissions were prioritised, and a discharge to assess methodology was used with assessments retrospectively completed.
- 3.6** Each potential care home resident is appointed a social worker who discusses options with the person and their families. These options reflect the needs and preference of the resident and their family. There are three preferred care home options which the family can rate in preference. Where a preferred option is not available then an interim plan or placement can be considered. Following this process, a financial assessment is completed and presented to the Care Assessment Review Group (CARG) along with supporting documentation which includes bank statements, POA documentation.
- 3.7** Currently there is no community waiting list for long term care home placements. There is an active a waiting list for hospital discharge to care homes, the majority of which relate to patients who lack capacity and under the AWI legislation there are no legal powers in place to facilitate a move to permanent care.

Decisions

- 3.8** The CARG, which is the group that approve placements, meet weekly on a Thursday, prior to September 2020 this was monthly. The exception to this was during the Festive period holiday when the Council offices were closed.
- 3.9** A selection of 9 CARG meetings covered 190 individual cases. The maximum cases reviewed in one meeting was 33 and the minimum was 9.
- 3.10** To test client satisfaction with the CARG decision process a review of the internal complaints recorded on the Council's LAGAN stage one, two complaints and enquiries was undertaken. Analysis was difficult due to the methodology of recording events on LAGAN however for 202 stage one and two complaints there were 12 were related to the CARG. One was with the process itself; one was in relation to the client's home and the others with regards the financial process itself. 13 enquiries were received in relation to care homes.
- 3.11** External complaints are investigated and recorded by the Scottish Public Services Ombudsman (SPSO). There were 29 Decision notices between August 2011 and November 2020, none related to care homes. There were no investigations after this period.

Compliance

- 3.12** A random sample of 9 clients was selected from the CARG decision cases, these included a mixture of both residential and nursing care placements. Preferred Care homes were listed for 7 of the cases and information provided to the CARG was complete for each decision, one case was awaiting Power of Attorney to be appointed by the court.
- 3.13** Information for all financial assessments were compliant with guidance, complete and accurate.
- 3.14** Budgetary performance is tracked on a complex Microsoft excel sheet. This workbook was created in July 2013. Although nine years old, the data when tested was robust.

4 Internal Audit Opinion

- 4.1** Overall, substantial assurance was obtained with regard to admission process.
- 4.2** The care home environment and market faces considerable challenges in terms of sustainability in the future. It is imperative that the HSCP continue to have an efficient admissions process and oversight arrangements in place in relation to care homes in North Ayrshire.

Definitions of Assurance Levels:

Substantial	The framework of governance, risk management and control is adequate and effective.
Reasonable	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
None	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

NB The level of assurance given is at the discretion of Internal Audit.