
NORTH AYRSHIRE COUNCIL

5 September 2023

Audit and Scrutiny Committee

Title: North Ayrshire HSCP – Internal Control Review

Purpose: To highlight to the Committee the recent work which has been undertaken to strengthen the internal control environment of the Health and Social Care Partnership.

Recommendation: It is recommended that Committee notes the work which has been undertaken.

1. Executive Summary

- 1.1 The internal control environment across the Health and Social Care Partnership is a complex one due to the size and diversity of teams, operating locations, systems and interactions with service users.
- 1.2 Recent improvement work has been led by the Head of Service (Finance and Transformation) to review and tighten controls across a number of areas.
- 1.3 This report provides the Audit and Scrutiny with an overview of the work which has been carried out and some of the improvements that have been implemented.

2. Background

Framework of Financial Regulations

- 2.1 North Ayrshire Integration Joint Board (IJB) has its own set of Financial Regulations; these relate specifically to the affairs of the IJB itself and therefore are more limited and focussed in scope. All operational and transactional finance matters for delivery of North Ayrshire Health and Social Care Partnership (NAHSCP) services must comply with North Ayrshire Council Financial Regulations and NHS Ayrshire & Arran Standing Financial Instructions.
- 2.2 The Council's Financial Regulations provide a mandatory framework for the financial administration of North Ayrshire Council and apply to every financial transaction and to every employee throughout the Council.

2.3 Under the Financial Regulations, Heads of Service are responsible for:

- Ensuring that their staff are familiar with the regulations and that they are adhered to.
- Providing any information required by the Head of Finance
- The financial performance of their Service
- Endeavouring to ensure that they and their staff secure Best Value
- The maintenance of effective internal controls within the financial procedures operated by their Service.

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2.5 The Partnership has a workforce of around 3,600 staff – roughly half are employed by the Council and half by NHS Ayrshire & Arran – and has an agreed revenue budget for 2023/24 of £288.072m (excluding large hospital set aside), of which £121.408m is provided by North Ayrshire Council.

2.6 Services are delivered across all of our localities by staff teams under five Heads of Service – Children and Families, Mental Health, Health and Community Care, Chief Social Work Officer, Finance and Transformation – and the Business Support team sit out with these services and work with frontline staff across the Partnership. There are integrated management structures with some staff working across the two organisations' systems and processes. This results in our internal control environment being a complex one.

2.7 It should also be remembered that our staff engage with thousands of service users on a daily basis, and, across a number of establishments, staff require access to cash and the ability to make purchases on behalf of service users, who are not subject to the same obligations or contractual requirements as employees.

Effectiveness of Internal Control environment

2.8 Our Annual Governance Statement 2022-23 notes that “North Ayrshire IJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Partnership Senior Management Team who have responsibility for development and maintenance of the governance environment (i.e., the Heads of Service), the annual report by the Chief Internal Auditor and reports from Audit Scotland and other review agencies.”

2.9 The recent annual report 2022-23 by the Chief Internal Auditor to this Committee noted the following outcomes from Internal Audit work carried out in the Partnership:

Type	Audit	Opinion	Reported to A&S
Investigation	Visit to a Care Establishment	Limited/Reasonable	15/11/2022
Assurance	Social Care Establishments	Reasonable	28/03/2023
Assurance	CM2000 system	Substantial	27/09/2022
Assurance	Care Home admissions process	Substantial	15/11/2022

2.10 There have also been three recent fraud reports which have identified issues with the control environment in the specific cases highlighted. Members will recall that these reports related to the deliberate actions of individuals, however internal controls have been tightened to avoid the opportunity for similar issues arising in the future.

2.11 In her annual report to the IJB Performance and Audit Committee, the Chief Internal Auditor noted “Based on the audit work carried out in the IJB and relevant work carried out in the parent bodies, my opinion is that reasonable assurance can continue to be placed on the adequacy and effectiveness of the IJB’s systems of governance, risk and internal control.”

2.12 As part of the IJB’s own review of the effectiveness of the control environment, partly informed by the Internal Audit findings, the Head of Finance and Transformation has led a group of senior officers to identify and implement a number of improvement actions focussing across the following areas:

- Procurement Cards
- Children’s Houses
- Kinship Carers
- Staff Financial Training

Procurement Cards

2.13 A full review of all procurement cards held by officers within the Partnership has been undertaken. The Partnership Senior Management Team (PSMT) recently agreed the following criteria for staff to hold a card:

- Establishments or offices where there is a requirement to purchase items to support service users.
- Establishments or offices where there is a requirement to hold cash.
- Financial Intervention Officers who manage service users’ finances.

2.14 Prior to the review, there were 99 cards held by Partnership staff and as a result of the tightening of criteria and a review of services with multiple card holders, 19 of these were removed from staff and the accounts closed.

2.15 Corporate guidelines for the approval of new procurement card requests require that they be approved by a line manager at Grade 14 or above. However, within the Partnership this has been strengthened so that any new requests must be

routed via the Head of Finance and Transformation, or in his absence the Principal Manager (Business Support). These will only be approved if they meet the criteria above and following review in conjunction with the appropriate Head of Service. A similar process will also be followed for any requests to increase spend limits.

- 2.16 Concerns have also been highlighted previously around the volume of card transactions which had not been reviewed and/or approved within the prescribed timescales. Significant work has been undertaken with cardholders, their approvers and involving Heads of Service where necessary and this has resulted in a 91% reduction in the number of outstanding transactions (August 2023). Regular reports are received from Corporate Procurement and monitored by Business Support to ensure this issue does not reoccur.

Children's Houses

- 2.17 Visits have been undertaken by Finance and Business Support staff to each of the Children's Houses to review the procedures and processes around the recording, handling and storage of cash and these have been revised where necessary. Each house now has the support of an Admin Worker each week to assist with these tasks.
- 2.18 House managers have been reminded of the need to minimise the use of cash where possible, while being mindful of the setting and the need to use cash for some outlays. Work is ongoing to establish bank accounts for children where possible, to support the ability to provide young people with pocket money by bank transfer.
- 2.19 A programme of cash handling training has been delivered by colleagues from the Corporate Fraud Team to staff in the children's houses, helping ensure that they are fully aware of their responsibilities.
- 2.20 Eight of the procurement cards which were withdrawn were held by staff in the children's houses and there are now 2 held in each house – by the assistant manager and a senior residential worker – with the house manager now acting as approver for these transactions against their budget.
- 2.21 The Senior Accountant for Children and Families has introduced regular budget monitoring meetings with the House Managers to help ensure tighter controls around expenditure.

Financial Training

- 2.22 A range of financial training courses is available for staff who require them as part of their job role. There is a mix of face-to-face and e-learning and these courses include Cash Handling, Financial Regulations, Budget Holder training, Procurement Card (cardholder and approver) and Integra (requisitioner and approver).
- 2.23 It is essential that staff who require to complete this training to undertake their

job do so and a range of reports is under development to enable better monitoring of who has completed the training and where there are any gaps.

2.24 The Head of Service (Finance and Transformation) will monitor this information and ensure that staff are reminded of the requirements, with escalation to Heads of Service where necessary.

Kinship Carers

2.25 Following the identification of two instances of over-payment to Kinship Carers, a review of the controls around payments to Kinship Carers has taken place and these have been tightened to ensure that Finance staff are always notified when a placement begins or ends.

2.26 Actions have included:

- A formal annual review of kinship care placements.
- Ensuring that a kinship carer agreement form is completed, signed and retained on file for each placement.
- Additional checks within the Finance team between fostering and kinship care placements to help ensure there are no duplicate payments.

These additional checks will ensure that if any overpayment occurs that it is identified as quickly as possible to ensure funds can be recovered and also to minimise impact on the Carer.

Conclusions

2.27 This report has outlined some of the recent improvement work which has been undertaken. It is not intended to provide a guarantee that there will be no fraud or error across the Partnership in future. In a workforce which operates across numerous physical locations, with thousands of interactions with service users each day, and with millions of payroll entries, accounts payable and income transactions each year, it is almost inevitable that occasional human errors or deliberate actions will happen. However, it is essential to ensure that the internal control framework is as robust as possible to minimise the risk and recent work has helped to support this.

3. Proposals

3.1 It is recommended that Committee notes the work which has been undertaken.

4. Implications/Socio-economic Duty

Financial

4.1 The report describes improvement work which has been undertaken across the financial control environment of the Health and Social Care Partnership.

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 None.

Community Wealth Building

4.7 None.

5. Consultation

5.1 Consultation has taken place with staff across the Partnership and with colleagues from Internal Audit and the Corporate Fraud Team during the review which has been carried out.

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For further information please contact **Paul Doak, Head of Finance and Transformation, NAHSCP**, on pdoak@north-ayrshire.gov.uk.

Background Papers

None.