

REPORT TO: Audit and Governance Committee

MEETING DATE: 18 November 2014

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report – Financial Arrangements at
Crookston Care Home

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on the Financial Arrangements operating at Crookston Care Home.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of the Financial Arrangements operating at the new Crookston Care Home was undertaken as part of the audit plan for 2014/15.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 EQUALITIES IMPACT ASSESSMENT

- 5.1 This report is not applicable to the well being of equalities groups and Equality Impact Assessment is not required.

6 RESOURCE IMPLICATIONS

- 6.1 Financial - None
6.2 Personnel - None
6.3 Other - None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	6 November 2014

EAST LOTHIAN COUNCIL – INTERNAL AUDIT FINANCIAL ARRANGEMENTS – CROOKSTON CARE HOME

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2014/15, a review was undertaken of the financial arrangements in place at the new Crookston Care Home in Tranent. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Adequate arrangements are in place to ensure that regular reconciliations are undertaken of Petty Cash, Residents' Savings and the Welfare Fund.
- Residents' personal savings sheets are maintained to record income and expenditure relating to each resident.
- Adequate documentation is in place to support all expenditure recorded on the residents' savings sheets.
- A clear audit trail exists to support all petty cash expenditure incurred.
- The Welfare Fund is audited on an annual basis by an independent person.

1.3 Areas with Scope for Improvement

- The banking arrangements for the new care home require review - the consolidation of bank accounts, the closing of inactive accounts and the updating of bank signatories are currently outstanding. *Risk – errors may occur and remain undetected.*
- Where purchases are made on behalf of residents with no capacity to manage their own finances, there was a failure to ensure that residents' savings sheets had been countersigned by a second member of staff for all amounts withdrawn. *Risk – errors and irregularities may occur and remain undetected.*
- The existing arrangements in place to ensure that VAT is properly accounted for require review – in some cases VAT had been incorrectly claimed and in other cases no receipts were held to support vat-able purchases. *Risk – non compliance with VAT regulations.*

1.4 Summary

Our review of the financial arrangements operating at Crookston Care Home has identified a number of areas with scope for improvement. Detailed findings and opportunities for improvement are contained in our main Audit Report.

Mala Garden
Internal Audit Manager

November 2014

**EAST LOTHIAN COUNCIL – INTERNAL AUDIT
FINANCIAL ARRANGEMENTS – CROOKSTON CARE HOME**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.3	Appropriate checks should be carried out prior to all reconciliations being signed by a person independent of the preparer.	Medium	Unit Manager	Agreed		November 2014
3.1.4	Management should ensure that VAT is properly accounted for – all vatable expenditure should be supported by proper VAT receipts or invoices.	Medium	Unit Manager	Agreed		November 2014
3.2.2	Management should ensure that the Welfare funds for both homes are consolidated. Management should ensure that a replacement bank deposit book is obtained for the Welfare account.	Medium	Unit Manager	Agreed		December 2014
3.3.2	Appropriate arrangements should be put in place to ensure that all personal savings are returned to residents leaving the Care Home.	Medium	Unit Manager	Agreed		November 2014

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.3.3	<p>Management should ensure that where purchases are made on behalf of residents with no capacity to manage their own finances, the resident's savings sheet is countersigned by a second member of staff.</p> <p>Management should ensure that receipts issued for all monies received on behalf of residents are cross-referenced to both the residents' personal savings sheets and the residents' savings balance sheet.</p>	Medium	Unit Manager	Agreed		In Place
3.4.1	Management should review the banking arrangements to ensure the consolidation of bank accounts, the closing of inactive accounts and the updating of bank signatories.	Medium	Unit Manager	Agreed		December 2014
3.5.1	Management should review the security arrangements at the Care Home to ensure that all funds are held securely.	Medium	Unit Manager	Agreed		December 2014

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.