

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 25 March 2025

**BY:** Service Manager – Internal Audit

**SUBJECT:** Internal Audit Report – March 2025

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## **1 PURPOSE**

- 1.1 To inform the Audit and Governance Committee of Internal Audit reports issued since the last meeting of the Committee and provide an update on progress made against the 2024/25 annual audit plan.

## **2 RECOMMENDATION**

- 2.1 That the Audit and Governance Committee note:
- i. the main findings and recommendations from the Internal Audit reports issued during the period from January 2025 to March 2025 as contained in Appendix 1;
  - ii. Internal Audit's progress against the annual audit plan for 2024/25 as set out in Appendix 2.

## **3 BACKGROUND**

- 3.1 Since the last meeting of the Committee final reports have been issued in respect of the following audits: Adult Social Work Case Management System and Housing Voids.
- 3.2 The main objective of the audits was to ensure that the governance, risk management and internal controls in place were operating effectively. A summary of the main findings and recommendations from the Adult Social Work Case Management System and Housing Voids. audits are contained in Appendix 1.
- 3.3 For the audit reviews undertaken, Internal Audit has provided management with the following levels of assurance:
- Adult Social Work Case Management System – Reasonable Assurance.
  - Housing Voids – Reasonable Assurance.

## **Progress Report 2024/25**

- 3.4 A progress report attached as Appendix 2 is prepared to assist the Committee in their remit to evaluate Internal Audit's work and measure progress against the revised annual audit plan for 2024/25.

## **4 POLICY IMPLICATIONS**

- 4.1 None

## **5 INTEGRATED IMPACT ASSESSMENT**

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

## **6 RESOURCE IMPLICATIONS**

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

## **7 BACKGROUND PAPERS**

- 7.1 None

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<b>DATE</b>	14 March 2025

# Appendix 1: Executive Summary: ASC Case Management

## Conclusion: Reasonable Assurance

The processes and internal controls in place for Adult Social Care (ASC) Case Management are generally reliable and there is clear evidence of improved financial monitoring, greater scrutiny, additional processes and enhanced controls being put in place to improve the control environment and address the financial challenges faced. Some areas for further improvement have been highlighted, including the need to ensure that all annual client reviews are carried out timeously, ensuring that timely follow-up action is taken of queries highlighted for clients with recurring invoice variations, improvements to the current authorisation process and opportunities for obtaining better alignment of budget holder responsibilities to client groups.

### Background

The 2024/25 East Lothian Council Internal Audit Plan included a planned review of Adult Social Care (ASC) Case Management, to focus on the control of expenditure on commissioned services, from the identification and procurement of care packages through to the checking, authorisation and payment of invoices. It is recognised that services need to be robust, sustainable and financially efficient in the current challenging financial climate to deliver change and support reform within East Lothian's Health and Social Care system. This audit has sought to review the processes in place and the actions that have been taken by management to implement enhanced scrutiny and control arrangements for commissioned expenditure. Commissioned care packages are recorded on the Mosaic system, the Adult Social Care case management system, and Mosaic is also used to process payments for care provided following receipt of invoices from providers.

### Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- While improved processes have been put in place for reviewing and updating care packages on Mosaic, in a small number of cases examined reviews for clients were overdue, while reviews for in-house Care at Home provision, currently approximately 20% of care at home provision, are not currently held on the Mosaic system. *Management have confirmed that a performance framework is in place across Adult Social Work with set targets for reviews, which will be monitored monthly from April 2025.*
- Mosaic Forecast Reconciliations at periods 3, 6, 9 and the year-end are prepared on a quarterly basis, which highlight queries including clients with regular invoice variations. The variations highlighted are reviewed and appropriate action is taken for both Adult Social Work and Learning Disabilities clients, although in a few cases there were delays in follow-up action being taken. *Management have agreed to ensure timely follow-up by April 2025.*
- The current arrangements in place for the alignment of budget holder responsibilities to client groups and the authorisation of Mosaic expenditure batches require review. *Management have confirmed that budget alignment is currently being reviewed and will be implemented in new systems, revised signatory processes will be put in place alongside this review by September 2025.*
- In seeking to obtain enhanced assurance that all services invoiced by providers have been delivered, consideration should be given to reviewing further use of care logs and/or supplier reconciliations to obtain additional assurance. *Management have confirmed they will review this by September 2025.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	8	-	8
Prior Report	n/a	n/a	n/a	n/a

### Materiality

The Adult Wellbeing annual budget for 2024/25 was approximately £73.5 million and will be £81 million for 2025/26, of which nearly £50 million (approximately 60%) is for commissioned services, which are processed through the Mosaic system.

# Headlines

Objectives	Conclusion	Comment
<p>1. Appropriate processes are in place for agreeing new packages of care and for recording these on the Mosaic system.</p>	<p>Reasonable</p>	<p>Appropriate arrangements are in place for approving new, or changes to, packages of care for clients. A weekly Resource Panel is in place within both Adult Social Work and Learning Disabilities to provide enhanced scrutiny and control of packages. For Learning Disabilities, all financial requests now go through the Resource Panel. Within Adult Social Work, the Panel is attended by senior managers and considers, and where appropriate approves, care packages for Direct Payments (option 1), Long Term and Replacement Care, while standard packages (e.g. options 2 and 3) are authorised at Team Manager level. All care packages are recorded on the Mosaic system, although there is a need to ensure that the cost aspects of care packages are completed in a standard way.</p>
<p>2. There is evidence of value for money considerations being demonstrated at the procurement stage for all new care packages.</p>	<p>Reasonable</p>	<p>All care packages are purchased by the Council's care brokers and purchase orders and Individual Purchase Agreements (IPAs) are in place for each package. A new Request for Funding document has been developed to assist the brokers when purchasing the care. Contracted rates are in place with providers, which are updated annually on the Mosaic system. From 4 November 2024 the Council started using the Scotland Excel Framework covering Care at Home (option 3), which has had cost implications, current market conditions result in extremely limited competition for individual packages of care.</p>
<p>3. Appropriate processes are in place for reviewing and updating care packages on Mosaic, to ensure the information held on Mosaic is up to date and accurate.</p>	<p>Reasonable</p>	<p>There has been a significant increase in the number of reviews carried out. Within Adult Social Work the Community Review Team has undertaken 629 reviews in the 11-month period from April 2024 to February 2025, in comparison to approximately 320 reviews being undertaken annually in previous years. Reviews should be undertaken within 12 weeks for new or amended packages and annually for all clients. The review process is comprehensive and includes coverage of whether the care is being delivered and if it is correctly purchased on Mosaic. Reviews undertaken for in-house Care at Home provision are not currently held on the Mosaic system, while in a small number of cases examined reviews for clients were overdue, further resources should be deployed here.</p>
<p>4. Appropriate review and reconciliation processes are undertaken of all care packages showing a significant monthly variation.</p>	<p>Reasonable</p>	<p>Finance prepare monthly Movement in Mosaic reports (including variations to date data) and Care at Home/Support Services Variations reports (which cover the forward forecasting of variations). Mosaic Forecast Reconciliations at periods 3, 6, 9 and the year-end are prepared on a quarterly basis, which highlight queries including clients with regular variations, clients never invoiced, and clients not invoiced since a particular period. This report is provided to the service area for further review of individual packages and responses/outcomes are tracked. There are some good examples of reviews being undertaken and actions taken (e.g. package amended), however in a few cases there were delays in addressing the queries identified. It is recommended that these reports are fully reviewed on a timely basis.</p>

## Headlines continued.

Objectives	Conclusion	Comment
5. Robust processes are in place to ensure the Council is only paying for care packages delivered and services received.	Reasonable	The Mosaic system records commitments for each care package and an invoice matching process is in place, whereby the invoice amount is matched with the commitment. Where the invoice amount is equal or less than the commitment, the invoice is passed for payment, while additional authorisation is required for invoices in excess of the committed amount. Consideration should be given to reviewing further use of care logs and/or supplier reconciliations to obtain additional assurance.
6. Appropriate processes are in place for the checking of invoices and the authorisation of Mosaic expenditure invoice batches for payment.	Limited	Mosaic payment batches are based on payment cycle runs (e.g. care at home, residential care), rather than client groups or financial cost centres, and include clients under differing authorising managers. Authorisation is currently undertaken by officers at a high level, who may be less familiar with individual clients, and there are currently a limited group of authorisers, which may create issues in the timely release of payments. Payment runs currently involve a time-consuming manual process and there may be opportunities to make better use of the Mosaic system in the authorisation process.
7. There is appropriate alignment of budget holder responsibilities to client groups and sign-off responsibilities ensure effective control.	Reasonable	The current arrangements and the way budgets are set up do not always assist in ensuring cost centre managers and budget holders are sufficiently informed of spend against their cost centres. Issues have been highlighted with the alignment of budget holder responsibilities to client groups (for example, our sample of clients reviewed included a client within the Physical Disabilities client group, who also had a Learning Disability, and was assessed, supported and reviewed by the Learning Disabilities team). A review of Mosaic processes and groupings, together with the implementation of the Council's new finance system, may provide an opportunity to better align budget holder responsibilities with client groups.

## Areas where expected controls are met/good practice

No	Areas of Positive Assurance
1.	<p>A range of actions have been taken to address the financial challenges that Adult Social Care currently face and to achieve tighter “grip and control”. This includes the setting up of weekly Resource Panel meetings, which seek to scrutinise requests for funding and ensure resources allocated are proportionate and prioritised towards those in greatest need. The Resource Panels are attended by senior managers from across Adult Social Work with the aim of enhancing and supporting quality, consistency and fairness of assessments. Other groups in place include the Financial Compliance Group, Debt Management Group (with has contributed to a significant reduction in outstanding debt) and Ordinary Residence Panel, while other initiatives include the tracking of Financial Assessments and the clawback of unused Direct Payments.</p>
2.	<p>The Council uses the Mosaic system, which is an Integrated Adult Social Care case management and finance system.</p>
3.	<p>During 2024/25, there has been a significant increase in the number of reviews undertaken of Adult Social Work and Learning Disabilities clients and their care packages. For Learning Disabilities, processes are in place for the allocation of reviews – the senior practitioners review the list every week and allocate based on urgency of need and they also look at the longest outstanding reviews. We are advised that Learning Disabilities are now in a position whereby they currently only have 11 outstanding reviews that are out with the annual review cycle. Within Adult Social Work the Community Review Team has undertaken 629 reviews in the 11-month period from April 2024 to February 2025, in comparison to approximately 320 reviews being undertaken annually in previous years. The review process is very comprehensive and includes ensuring that the care package is correctly purchased on Mosaic, checking for outstanding debt/charges/variances and provides assurance that the Council is being properly charged for the services provided.</p>

# Executive Summary: Housing Voids

## Conclusion: Reasonable Assurance

The internal controls and governance in place for Housing Voids are generally reliable with a number of improvements being made since October 2024, however there are some further improvements that can be made to provide a fully effective control process, including ensuring Housing Officers undertake pre-termination visits, the arrangements in place for completing void survey reports and scheduling repairs promptly, a review of the guidance for reporting average void turnaround times and the arrangements in place for raising invoices to outgoing tenants for rechargeable works.

### Background

The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities, and an efficient void property management process is vital considering East Lothian Council declared an affordable housing emergency in November 2024 and the significant pressures placed on Housing by the increasing number of homeless applications in East Lothian. During the void period, the property is not generating rental income, and improving void turnaround times presents major challenges for the Council (the reported average void turnaround time in East Lothian was 49.9 days for 2023/24, compared to the Scottish average of 56.7 days). We were informed that the Council has channelled significant resources into improving void property management, including the establishment of a new team to address long term major works voids and the development of a Performance Management Framework.

### Summary of findings & recommendations

The following key findings and recommendations are highlighted, which have all been **agreed by Management**:

- In a number of instances, Housing Officers did not undertake a pre-termination visit to make the outgoing tenant fully aware of their responsibilities to return the property in a good condition. *Management advised that pre-termination visits should be carried out where applicable, although some tenants may be unwilling to participate, the Nimbus procedures will be reinforced again to Housing Officers by April 2025.*
- The existing arrangements in place for completing void survey reports require review – in some cases, significant delays were noted before the survey had been undertaken. *Management advised that having four Repairs and Voids Officers has improved the arrangements in place for undertaking void survey reports and the new procedures will be fully embedded within the team by March 2025.*
- There was a lack of appropriate invoicing of outgoing tenants for rechargeable works – delays were noted in raising invoices, and in some cases no invoices had been issued. *Management have agreed to improve the procedures for recharging tenants by July 2025.*
- A review of the guidance for reporting average void turnaround times should be undertaken to ensure that only valid periods are excluded from the reported figures. *Management have agreed to undertake a full review to ensure that the reported average void turnaround times are in line with the guidance by May 2025.*

### Recommendation Summary

Recommendations Grade	High	Medium	Low	Total
Current Report	-	11	2	13
Prior Report (Sept 2016)	-	14	-	14

### Materiality

The total number of properties on the Housing Revenue Account as at 31 March 2024 was 9,389 (9,153 as at 31 March 2023) and there were approximately 190 void properties at the time of our audit. The percentage of rent lost through properties being empty during 2023/24 was 0.71% (£242,543/£33,964,433).

# Headlines

Objectives	Conclusion	Comments
1. Adequate policies and procedures are in place for administering housing voids.	Reasonable	A Voids Management Policy is in place (effective from 01 April 2020), which was formally approved by Cabinet on 12 November 2019, the proposed changes to the policy were subject to a formal consultation exercise with tenants and tenants' organisations in accordance with legislation. The Nimbus process mapping system is used to assist staff with the voids management process – a series of process maps are available documenting the individual stages of the process and the procedures that should be followed.
2. The Voids Team are notified promptly when a property becomes empty and Housing undertake a pre-termination visit.	Limited	We selected a sample of 30 housing voids, and we found that a voids notification form had been completed to inform the Voids Team that the property was empty, however in some instances delays were identified – see objective 3 below. For the 17 cases where a pre-termination visit should have been undertaken, we found that in 15 cases there was no evidence that an inspection had been carried out, for the remaining two cases a form was uploaded onto Civica stating that the tenant had failed to attend the visit.
3. Arrangements are in place for managing and co-ordinating both standard repairs and major works.	Reasonable	The existing arrangements in place for completing void survey reports require review – in some cases, significant delays were noted before the survey had been undertaken. For the sample of 30 cases examined, factors impacting the turnaround period included the time lag between the request and external contractors clearing the property, Housing staff not informing the Voids Team timeously that the property was empty following a transfer, and outgoing tenants not handing back the keys. A review of the process for managing major adaptations of Council properties should be undertaken to help reduce the void period for these properties. For the sample of cases examined, we found that in some instances there were delays in issuing invoices to former tenants and in other cases no invoices had been raised.
4. Reported performance information on housing voids is accurate and complete.	Reasonable	Performance information on housing voids is produced regularly and reported to both the Scottish Housing Regulator (the ARC return submitted for 2023/24 reported the average length of time to relet properties in the year – 49.92 days and the percentage of rent due lost through properties being empty during the year – 0.71%) and the Policy and Performance Review Committee. The Council needs to ensure that the approach adopted for reporting average void turnaround times is in accordance with the indicator definition.
5. Arrangements are in place to ensure properties are relet timeously.	Reasonable	We found that the allocation process can begin after the void survey report has been completed, however Housing Officers tend to wait until the repairs are nearing completion. Where applicable a matching list had been produced, and the property was offered to a prospective general applicant or transfer applicant.
6. Adequate governance frameworks are in place for the effective monitoring of the void management process.	Reasonable	The Council has a governance framework in place for monitoring housing voids, which includes a fortnightly meeting for standard voids, and monthly meetings for major voids and open market acquisitions, and for decant properties. We were informed that minutes taken at these meetings are updated on a monitoring spreadsheet. In addition, quarterly HRA (Housing Revenue Account) Programme Board meetings are held comprised of senior members of staff from Community Housing, Property Maintenance, Finance and Legal.



# Areas where expected controls are met/good practice

No.	Areas of Positive Assurance
1.	A Voids Management Policy is in place (effective from 01 April 2020), which was formally approved by Cabinet on 12 November 2019, the policy was subject to a formal consultation exercise with tenants and tenants' organisations in accordance with legislation.
2.	The Council has an appropriate governance framework in place for monitoring housing voids, which includes a fortnightly meeting for standard voids, and monthly meetings for major voids and open market acquisitions, and for decant properties. In addition, quarterly HRA (Housing Revenue Account) Programme Board meetings are held comprised of senior members of staff from Community Housing, Property Maintenance, Finance and Legal.
3.	Performance information for housing voids is produced regularly and provided to the Scottish Housing Regulator on the ARC Return.

# Recommendation Grading/Overall Opinion Definitions

Recommendation	Definition
<b>High</b>	Recommendations relating to factors fundamental to the success of the control objectives of the system. The weaknesses may give rise to significant financial loss/misstatement or failure of business processes.
<b>Medium</b>	Recommendations which will improve the efficiency and effectiveness of the existing controls.
<b>Low</b>	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.

Levels of Assurance	Definition
<b>Substantial Assurance</b>	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.
<b>Reasonable Assurance</b>	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.
<b>Limited Assurance</b>	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.
<b>No Assurance</b>	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.