

Final Internal Audit Report

Community Equipment Services (Governance)

May 2022

Distribution: Corporate Director Adult Social Care & Health (DASS & Caldicott Guardian)
Interim Director of Adult Social Care Commissioning, Policy & Improvement
CES Head of Service
Corporate Director of Resources and S151 Officer
Interim Assistant Chief Executive

Assurance Level	Issues Identified	
Full Assurance	Priority 1	0
	Priority 2	0
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 'Community Equipment Services' (CES) is a Croydon based facility which helps its residents by providing wheelchairs and community equipment including a 24-hour repair service to resident homes which have wheelchair or community equipment. Croydon Council (Council) has a pooled budget arrangement with the Croydon Clinical Commissioning Group and Croydon Health Services.
- 1.2 CES is also an 'Integrated Procurement Hub' allowing other authorities (including Essex County Council, the London Boroughs of Newham, Tower Hamlets, Sutton, Merton and Bexley and Sandwell Metropolitan Brough Council) to procure, manage, deliver, collect and re-cycle such equipment.
- 1.3 The Council has the following mechanisms in place in respect of CES as part of their continuous quality programme respect to provide good services to its residents:
- Maintenance of a learning log – to ensure that recurring issues can be identified and addressed with a weekly analysis of issues shared with the Head of Service;
 - Efficiencies Meetings – conducted monthly and attended by all "key" managers of the service department;
 - Health and Safety Meetings – led via a roster basis which includes the logistics manager and clinical leads covering three sites;
 - Quality Improvement Sessions led by the Head of Service on a bi-monthly basis; and
 - Timeliness Reports and maintenance of a risk register.
- The Council utilised the 'Uniquis System' for stock management for the service. This can be used by the prescriber to place orders in relation to equipment. It was confirmed with the CES Head of Service that Uniquis also notifies the Store Manager when an item is running low and requires re-ordering. Additionally, weekly meetings are held between the Store Manager and the Head of CES to discuss stock levels.
- 1.5 The Service has in place regular board meetings to report performance including KPIs such as:
- jobs completed including one day deliveries;
 - timeliness targets (95% target);
 - communication with customers (average emails received from customer/month); and
 - supplier invoices paid within 30 days.

In addition to providing information to the Board meetings, the CES Head of Service produces a 'timeliness report' for the partners which covers areas such as timeliness by activity; volume of activity, etc.

- 1.6 The budget for CES was agreed on 17 March 2021 by the CES Working Group with an expected revenue of £21.3m and net profit of £0.5m. All overheads are absorbed within the operating costs. A monthly report is shared with the Head of Service and variances are included within the CES Board packs with a Finance Update to Managers.
- 1.7 The fieldwork for this review was completed remotely during the government measures put in place in response to COVID-19. While our review and testing were performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.8 The audit was undertaken as part of the agreed Internal Audit Plan for 2021/22. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

- 2.1 Based on the audit work performed including interviews with key auditees and sample testing as per the agreed scope at Appendix 1 we have provided Full Assurance.

The following testing was performed to arrive at this assurance level:

- It was confirmed that CES has defined and documented its priorities for 2021/22 which revolve around infrastructure, growth and productivity.
- CES Quality Framework is in place to support a Continuous Quality Improvement Program and includes Efficiency and Stock Issues Meetings. These meetings are attended by all key managers of the service departments and analyse issues which have a financial and reputational impact. We confirmed that these ad-hoc meetings were held on 03 September 2020, 08 October 2020 and 04 March 2021 and an issues log is maintained.
- It was confirmed that there is a collaboration agreement dated November 2020 in relation to provision and maintenance of community equipment between the Council and London Boroughs of Merton and Sutton.
- We confirmed that communications were sent out by the CES Head of Service in January 2021 and May 2021 to notify partners about potential disruption in service due to supply chain issues which would lead to a dip in stock levels.
- We confirmed performance is considered regularly by the Board as evidenced through the June 2021 meeting/KPIs report.
- Monthly reports are submitted to the CES Commercial Working Group to present financial updates. Members of the group include Head of Service,

Financial Controller and Sales & Business Development Manager and this was confirmed for the month of May 2021.

- A sample of 15 Purchase Orders (POs) were tested and it was confirmed that all POs were raised by the designated PIN holder. 12 POs were authorised by Service Managers, three POs did not require approval as they were below the £5,000 threshold.

AUDIT TERMS OF REFERENCE

Community Equipment Services (Governance)

1. INTRODUCTION

- 1.1 Community Equipment Service (CES) is a Croydon based facility helping Croydon residents, providing wheelchairs and community equipment to the residents of Croydon and 24-hour repairs to residents’ homes for wheelchairs and community equipment. The Council has a pooled budget arrangement with Croydon Clinical Commissioning Group and Croydon Health Services.
- 1.2 Community Equipment Solutions is also an ‘Integrated Procurement Hub’ allowing other authorities (including Essex County Council, the London Boroughs of Newham, Tower Hamlets, Sutton, Merton and Bexley and Sandwell Metropolitan Brough Council) to procure, manage, deliver, collect and re-cycle such equipment.
- 1.3 This audit is being undertaken as part of the agreed Internal Audit Plan for 2021/22.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
 - Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 This audit included the following areas (and issues raised):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Procurement of brought in goods and services (including value for money)	0	0	0
Performance Monitoring over brought in goods and services (including deficiencies in provision, rectifications and defaults)	0	0	0
Performance Monitoring of the Provision of Services (within borough and to other Councils)	0	0	0
Cost Management Accounting, (including recovery of overheads and stock control)	0	0	0





Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Financial Management and Reporting (including income collection, cash flow and budget management)	0	0	0
Total	0	0	0

Definitions for Audit Opinions and Identified Issues

Appendix 2

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk,
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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