

Moray Council
Internal Audit Section

APPENDIX 2

Occupational Therapy Stores
Final Report



Moray Council

Internal Audit Section

DEPARTMENT: Education and Social Care

SUBJECT: Occupational Therapy Stores

REPORT REF: 19'003

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1. Executive Summary

The annual Internal Audit plan for 2017/18 provided for a review to verify the stock valuation of equipment held at the financial year end for a number of Council Services. This report relates specifically to the Occupational Therapy (OT) Store.

Occupational Therapy stocks comprise aids and adaptations issued to service users to help with various daily tasks including cooking, dressing and bathing. The individual items of equipment held can vary in value from a few pounds to upwards of £1,000 for certain type of hoists, specialised seating etc. The total stock value as at 31st March 2018 amounted to some £110,000.

The audit involved a number of tests to confirm the accuracy of the reported stock valuation, including the checking of records for pricing purposes and the physical verification of items held in store. Once agreed, the final stock valuation is passed to Accountancy Services for inclusion within the Council's Annual Accounts.

Further to the review and testing undertaken, the following points were noted:-

- A review of the initial valuation report provided detailing the total stock value noted a number of errors. These required to be corrected arithmetically and due to incorrect product pricing of recycled equipment.
- The purchase price for products bought a number of years ago could not always be verified to the actual invoice with a lack of suitable audit trails to track items back to date of purchase.
- No regular reviews are undertaken of equipment with regard to slow moving or obsolete stock. A yearly check of all equipment should be undertaken to make sure any equipment not issued for a defined period is assessed for consideration of write off.
- At the time of writing this report a new Stores Management System was about to go live. Internal Audit have received a brief overview of this system and have highlighted a number of concerns regarding the procedures for purchasing of stock, treatment of recyclable equipment, stock valuation etc. Management should consider these issues to ensure the new system fully addresses these and the other matters arising during the audit.

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2. Introduction

Internal Audit at each financial year end verifies the stocks held by a number of services including roads and lighting, housing as well as Occupational Therapy. This work involves audit testing to ensure the accuracy of records and the physical verification of items held within each store.

3. Audit Scope

The purpose of the audit was to verify the accuracy of the final stock value for Occupational Therapy equipment held at the financial year end. Occupational Therapy Stock relates to aids and adaptations equipment that is issued to service users to help with daily tasks such as cooking, dressing and bathing.

4. Summary Assessment

The Internal Audit Section will provide Management with an opinion on the internal control environment based on four categories of classification:

Assurance Level	System and Testing Conclusion
Full	The controls tested are being consistently applied
Substantial	There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited	The level of non-compliance puts the system objectives at risk.
None	Significant non-compliance with basic controls leaves the system open to error or abuse.

Our assessment in terms of the design of and compliance with, the system of internal controls for Occupational Therapy Stores as limited by the scope of the audit is set out below:

System Assessment	Testing Assessment
Limited	Limited

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5. Findings

The main issues raised for management consideration are:

- 5.1 Arithmetical errors were noted in the stock valuation spreadsheet submitted to Internal Audit for verification. In particular it was found that the spreadsheet contained numerous pricing errors relating to individual stock items that required to be corrected.
- 5.2 Errors were also noted in the valuation of recycled stock items. Examples were found where some recycled stock items had been brought back into stock at the original purchase price.
- 5.3 OT Stores equipment is not physically stored against a clearly marked product/ bin code. The physical storage of stock items should be held in a logical sequence, thus ensuring equipment can be more easily accessed, controlled and managed.
- 5.4 It was found that recyclable and new equipment are not stored separately. As currently there is a separation in the valuation of new and recyclable items, there should also be a clear physical separation between the two categories of stocks.
- 5.5 It was not possible to verify individual prices for equipment with an overall stock value of £20,000. This equipment related to purchases made before 2013. The valuation of any item of equipment should always be evidenced to the original purchase price.

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- 5.6 No detailed procedure exists for the review of slow moving or obsolete stock. The £20,000 of stock previously identified had been purchased prior to 2013. This equipment should be reviewed and written off if no longer required. If any of these items are still suitable for re-issue a valuation from the supplying company should be obtained.
- 5.7 No regular stock takes are undertaken of the equipment stored within OT Stores during the year. Regular stock checks would ensure any variances between stock records and the equipment held can be investigated and resolved promptly and not left unresolved until the financial year end.
- 5.8 It was noted a new stores system is being introduced that should allow for greater control regarding the purchase, issue and management of the OT Stores. However prior to the system going live a number of key controls and principles need to be resolved e.g. unit stock valuation, treatment of recycled goods, management reports detailing stock valuation etc. .

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6. Recommendations

Risk Ratings for Recommendations						
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
Key Control: Effective systems exist for the correct valuation of Occupational Therapy Equipment						
5.1	Effective systems and procedures should exist to ensure accurate stock valuation reports.	High	Yes	Health and Social Care Moray have now implemented the ELMS2 System provided by Ethitec. The system will provided all stock valuation reports moving forward however the system will be reliant on data input. A CMP has been conducted and new infrastructure implemented in the Store, including the addition of a Store Person and appropriate administration staff.	Provider Services Manager	30/09/2018

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High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	Medium	Less critically important controls absent, not being operated as designed or could be improved.		Low	Lower level controls absent, not being operated as designed or could be improved.
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5.2	Equipment should be physically stored against their clearly marked bin/ product code reference.	Medium	Yes	A barcoding system has been acquired as part of the implementation of ELMS2 and this will separately mark every item with a value of £15 or more. All stock will be clearly stored in an area where the product is clearly marked and accessible.	Independent Living Team Manager Store Person	31/08/2018 30/09/2018
5.3	New and recyclable equipment should be stored separately.	Medium	Yes	As a result of a CMP, a new management structure has been implemented. A new Store Person will be appointed and additional administration staff appointed.	Provider Services Manager	30/09/2018

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				A cleaner driver post will also be implemented to ensure separation (mainly due to infection control) Protocols are being developed internally to ensure that all stock is stored appropriately. All stock will be clearly identifiable as part of the ELMS2 system.	Independent Living Team Manager	31/08/2018
5.4	Valuation of any item of equipment should be evidenced to the original purchase invoice.	High	Yes	Processes will be carried out throughout August (including a report to the Operational Management Team) to ensure that all items in the Store can be evidenced to the original	Provider Services Manager	30/09/2018

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				purchase invoice. An exit strategy will be implemented if any items are found not to meet the basic criteria		
5.5	Procedures should be developed to ensure that all equipment is reviewed every year to ensure any obsolete equipment no longer required is destroyed or sold.	Medium	Yes	A process is being developed with the Health and Social Care Moray Operational Management Team. A protocol will be developed which the Store management will follow in order to ensure that no obsolete products are held at the Store. A protocol will be developed with the OT Budget Manager to identify when a product becomes obsolete.	Provider Services Manager Independent Living Team Manager	30/09/2018 31/08/2018

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No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
5.6	Regular stock checks should be undertaken between stock records and the items held at OT Stores.	Medium	Yes	<p>A pathway will be implemented in the Store to include regular stock checks. As of September 2018, stock checks will be implemented on a quarterly basis. Any issues or concerns will be addressed in July, October and January to ensure that the annual Stock Audit in March functions smoothly.</p> <p>The senior management group will manage risk/issues and a risk assessment and issues log will be implemented. This will be a key agenda item on the Independent Living Service Monthly</p>	<p>Independent Living Team Manager</p> <p>Provider Services Manager</p>	<p>31/08/2018</p> <p>30/09/2018</p>

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No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
				Meeting in July, October, January and April. Auditors will be invited to these meetings to ensure a healthy relationship and to allow any escalation of problems in an efficient manner.		
5.7	A number of key operating functions e.g. stock valuation report, need to be agreed regarding new Occupational Stores System.	High	Yes	The new system has just been implemented and a User Group continues to monitor and manage progress. The project lead will liaise with the Independent Living Service Manager to ensure clarity is provided in all functions of the new system.	Independent Living Team Manager	30/09/2018

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No.	Audit Recommendation	Priority	Accepted (Yes/ No)	Comments	Responsible Officer	Timescale for Implementation
				A report will go to the Infrastructure Board detailing the outcome once fully implemented.	Provider Services Manager	30/09/2018