



**INTERNAL AUDIT**

**ANNUAL REPORT and OPINION**

**1 APRIL 2022 to 31 MARCH 2023**

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## **SECTION 1 – INTRODUCTION**

### **Purpose of this report**

Public Sector Internal Audit Standards (PSIAS) requires that the Chief Internal Auditor provide a written statement to inform the Annual Governance Statement. This report constitutes the required statement. In compliance with PSIAS, this report presents the opinion on the overall adequacy and effectiveness of the Moray Integration Joint Board (MIJB) risk management, control and governance processes based on the work Internal Audit has performed. In addition, my evaluation will also include an assessment of reports issued by other review agencies. The scope of Internal Audit work, the responsibilities of Internal Audit and the assurance given on the adequacy and effectiveness of the Internal Control System of the MIJB are explained further in Section 4 of this report.

### **Responsibilities of Management and Internal Audit**

It is management's responsibility to maintain systems of risk management, internal control and governance. Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in effectively discharging its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.

Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review. The responsibility for providing the Internal Audit Service to the MIJB is by the Moray Council's Internal Audit Section. However, reliance is also obtained from the Internal Audit Service Provider for NHS Grampian to support the annual internal opinion on the MIJB's internal control environment.

Public Sector Internal Audit Standards (PSIAS) require officers of the Internal Audit Section to communicate on a timely basis all facts and matters that may have a bearing on their independence. I can confirm that all staff members involved in the 2022/23 internal audit reviews were independent of operational processes and their objectivity was not compromised in any way.

## **SECTION 2 –BASIS OF OPINION**

My evaluation on the adequacy and effectiveness of the MIJB framework of governance, risk management and internal control is based on the following:

- The audit work undertaken by Internal Audit during the year to 31 March 2023.
- The governance statement signed by the Chief Officer of the MIJB for the year ended 31 March 2023.
- Reports issued by the MIJB's External Auditor, and other external review agencies.
- My knowledge of the MIJB's governance, risk management and performance monitoring arrangements.

Assurance is also based on the wider audit work conducted by the Chief Internal Auditor in his capacity as the Audit and Risk Manager of the Moray Council and from an annual internal audit report prepared for the Grampian Health Board providing an opinion on the adequacy and effectiveness of its system of internal control.

## **SECTION 3- SUMMARY AND LIMITATIONS OF WORK THAT SUPPORTS THE OPINION**

### **Progress on the 2022/23 internal Audit Plan**

Internal Audit operates independently within the organisation. While there have been challenges due to changes in working practices with officers working from home, management has imposed no limitations on the scope of audit work. The Annual Audit Plan presented to the Audit, Performance and Risk Committee describes in some detail the framework around which audit work is developed. In addition, the selection of audit topics was selected having regard to corporate planning documents, budget data and information drawn from the corporate risk register, and takes into account input from senior management regarding possible areas for audit.

The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit Annual Audit Plan.

A summary of the audit projects completed from the MIJB Audit Plan is summarised as follows:

- An audit was undertaken to review that an appropriate system exists in the management, security and transfer of data between the Council and care providers, including NHS Grampian. This audit was highlighted for review from discussions held with the internal audit providers of NHS Grampian, Aberdeen City and Aberdeenshire Councils, where it was agreed to try and develop a more coordinated audit approach with the intention of providing a more comprehensive opinion on the control environment of systems within Health and Social Care.
- The audit noted several areas where further improvements are required to current operating systems and procedures. The data-sharing arrangements for patient/ service user information between the Council and NHS Grampian

were found to be based on a Memorandum of Understanding from 2011. It was agreed that a Data Sharing Agreement would be developed between the Council and NHS Grampian to reflect the updated Data Protection Legislation. A Data Protection Impact Assessment (DPIA) is an essential requirement of the UK General Data Protection Regulation (GDPR). However, at the time of the audit, only one DPIA had been completed regarding the data sharing arrangements with care providers.

- An audit review tested a sample of creditor payments generated under the direction of the Moray Integration Joint Board. Testing used a data analysis software application to extract a random sample of transactions for review. The purpose of the audit was to confirm that effective controls are operating to ensure all payments are appropriately authorised, accurate and paid in accordance with regulations and agreed terms and conditions. A check was also made for duplicate payments by extracting listings where more than one invoice from a single supplier has been paid for the same amount. Findings noted payments had been made to Care Providers before the services were delivered and a need for further improvements in the recording and processing of invoices.
- A review was undertaken into how information relating to social care service users is recorded, accessed and kept up to date. The Council uses a system known as CareFirst to record and manage social care cases for both adult and children's services. CareFirst is a long standing widely used application within the public sector for recording social care data. The scope of the audit was to undertake a review of how information is recorded and managed for Adult, Children and Families Services. The audit also reviewed access controls around the management of case files. This included consideration of who can view, add, amend or delete information.
- The review found that information concerning a service user care package is recorded on multiple databases, i.e., CareFirst, shared drive and paper files. It is pleasing to report that Health & Social Care Moray is developing a Strategic Plan- Partners In Care that includes the replacement of the CareFirst System. In addition, the audit found a need to strengthen access controls within CareFirst and for managers to restart reviews of service user case files to ensure officers comply with operating guidelines. However, it is appreciated over the last few years duties have been diverted to support pandemic related activities.
- An audit of the financial monitoring arrangements for Self-Directed Support (SDS) packages was undertaken as part of the coverage of Health & Social Care Moray activities. The scope of the audit was to review systems and procedures in the delivery and management of care provided under Options 2 and 3 of the SDS Scheme. This included examination of the processes to support individuals in their preferred care delivery option, contractual relationships with care providers, financial management and monitoring of individual care packages. Annual expenditure for individuals in receipt of SDS Option 2 and & 3 care packages amounted to approximately £40 million and £17 million respectively for external and internal care providers.
- The review found a number of findings where further improvements are required in systems and procedures. It was noted that where care is delivered through SDS Option 2, a tripartite agreement should be agreed to detail the care provided, signed by the provider, Council, and the supported person. However, from the testing undertaken, it was found that most service users had no tripartite agreement to formalise their care arrangements. The audit also noted a large percentage of service users support plans tested had not been reviewed for over a year. The requirement for an annual review is detailed within the Social Care (Self-directed Support) (Scotland) Act 2013.

In addition, difficulty was also experienced in verifying current and changes in service user support plans to supporting documentation. The demands on the service are appreciated, but the findings noted from this review are of concern.

- Internal Audit reports are regularly presented to members detailing not only findings but also the responses by management to the recommendations with agreed dates of implementation. During the year, it was decided that Internal Audit would also report to the Audit, Performance and Risk Committee follow up reviews to evidence the effective implementation of these recommendations. Follow up reviews were completed of the audits previously undertaken of Self Directed Support direct payments made to service users and how Health and Social Care Officers manage income held for individuals under Corporate Appointeeship Arrangements. Unfortunately, it was found that a number of the recommendations are still to be implemented, requiring revised dates of implementation to be agreed. The Service has detailed that staff shortages have resulted in delays in implementing some of these recommendations.

**Governance** - from a review of the annual governance statement prepared for inclusion with the MIJB accounts; it was noted that the statement had been prepared in line with good practice guidance issued by CIPFA / SOLACE. The statement included an assessment of the effectiveness of governance arrangements within the MIJB regarding the seven principles of good governance identified within the guidance. It also referenced the governance processes of the principal partner bodies (NHS Grampian and Moray Council) as sources of additional assurance.

A review of the Moray Council's Chief Social Work Officer's annual report noted several governance arrangements to ensure effective service delivery. The quality of social work services is assured by Practice Governance meetings. Any issues are reported to the Clinical & Care Governance Committee of the MIJB for adults. Consultant Social Work Practitioner posts are well established in adult and children services. Consultants work with line managers to support social work in complex cases, model best practices and set practice standards in their respective area.

It was noted that the Head of Service / Chief Social Work Officer reported an audit review of Adult Social Care Commissioning Service undertaken by KPMG Governance, Risk & Compliance Services to the Audit, Performance and Risk Committee (item 11) of the Moray Integration Joint Board (MIJB) on 30 March 2023. This audit was requested by the Audit, Performance and Risk Committee of the MIJB on 31 March 2022. The need for the review was highlighted due to concerns raised by senior management of Health & Social Care Moray regarding administrative arrangements within the Commissioning Service, and the findings from a peer review report in January 2022.

The audit report by KPMG has detailed 11 key findings relating to governance, roles and responsibilities, strategy/processes and contract management. It is pleasing to note that all recommendations have been accepted. However, the Head of Service/ Chief Social Work Officer detailed within the report to the Audit, Performance and Risk Committee of the MIJB on 30 March 2023 (Item 11) the risks to achieving the set timescales for implementation of the recommendations due to staffing implications and related restructuring that has taken place following the external review. The Head of Service/ Chief Social Work Officer confirmed that a review would be undertaken regarding capacity issues and how that risk can be mitigated using interim support. In addition, the Head of Service / Chief Social Work Officer has also made a commitment that progress on implementation of the actions will be reported back to the Audit, Performance and Risk Committee of the MIJB on a quarterly basis.

As the Chief Internal Auditor of the MIJB, I note the findings detailed within the audit report. I will be closely monitoring progress and undertaking a follow up review once the implementation dates for the recommendations have passed.

**Risk Management** - procedures are well developed with a risk management policy and strategy in place, a risk appetite statement has been prepared, and a risk register has been reviewed and updated regularly. The recently updated Risk Register summarises the principal risks facing the organisation under nine themes; these themes focus on critical risk areas including finance, environment and operational continuity, together with transformation risks associated with change and infrastructure risks given the reliance of the IJB on support from both the Council and the NHS.

### **Statement on Conformance with the Public Sector Internal Audit Standards**

The Local Authority Accounts (Scotland) Regulations 2014 require public bodies to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing, the Public Sector Internal Audit Standards.

The Scottish Local Authorities Chief Internal Auditors' Group, comprising the audit managers or equivalent of all Scottish Councils, has developed a checklist for assessing compliance with the Standards. This supports the requirement for self-assessments and external assessments as part of Internal Audit's Quality Assurance and Improvement Programme. Internal performance monitoring against PSIAS has been ongoing over the last few years. However, a more structured internal review has recently been completed in preparation for the next External Quality Assessment.

## **SECTION 4 – OPINION**

Any system of control can only ever provide reasonable and not absolute assurances that control weaknesses or irregularities do not exist or that there is no risk of error, fraud, or breaches of laws or regulations. Furthermore, it is the responsibility of management to establish an appropriate and sound system of internal control and monitor the effectiveness of that system. The Chief Internal Auditor is responsible for providing an annual assessment of the robustness of the internal control system. (Assurance was obtained in the interim form at the time of drafting this report from the Internal Audit Provider of Grampian NHS).

After consideration of the findings from work carried out by Internal Audit, taken together with other sources of assurance, with specific reference to the external assessment undertaken by a private firm into how the Commissioning Service manages adult social care contracts; it is my opinion that I can only provide limited assurance that the Moray Integration Joint Board has adequate systems of governance and internal control

Dafydd Lewis  
Chief Internal Auditor  
13 May 2023