



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 22 NOVEMBER 2023

SUBJECT: INTERNAL AUDIT SECTION UPDATE REPORT

BY: AUDIT AND RISK MANAGER

1. REASON FOR REPORT

- 1.1 The report provides Committee with an update on the work of the Internal Audit Section.
- 1.2 This report is submitted to Committee in terms of Section III I (2) and (8) of the Council's Scheme of Administration relating to consideration of reports from the Council's Internal Auditor and monitoring delivery of the audit service carried out by Internal Audit.

2. RECOMMENDATION

- 2.1 **Committee is asked to consider the contents of this report, seek clarification on any points noted and otherwise note the report.**

3. BACKGROUND

- 3.1 Public Sector Internal Audit Standards requires the Audit and Risk Manager to prepare and present reports to committee on internal audit's activity, performance relative to its Audit Plan, and any other relevant matters.
- 3.2 This report provides an update on audit activity and projects progressed since the last meeting.

4. UPDATE OF PROGRESS AGAINST THE 2023/24 AUDIT PLAN

Audit Plan Update

- 4.1 The Internal Audit Plan is a means of determining the priorities of the internal audit activity and how these fit with the wider goals of the Council. Enclosed in **Appendix 1** is an update on the progress undertaken by the Internal Audit Service regarding the completion of audit review projects against the Annual Audit Plan. Officers from the Section have also been assisting Health and Social Care Moray with the development of recommendations from a review undertaken by KPMG Governance, Risk & Compliance Services of adult social care commissioning.

4.2 The section is currently operating with a vacancy in the post of Corporate Investigations Officer, which investigated housing benefits fraud and supported the work of the audit team on the National Fraud Initiative and other routine audit work. Due to staffing issues, the section has been covering these tasks with reduced resources for some months. Due to budgetary constraints facing the Council, there is no longer funding to fill the vacant post . In accordance with the Public Sector Internal Audit Standards, the Audit and Risk Manager is required to consider whether or not staffing resources are sufficient to meet the audit needs of the Council and where it is believed that the level of resources may adversely impact the provision of the annual internal audit opinion, and draw this to the attention of the Committee. I am therefore informing the Committee again of my concerns about whether available resources will be sufficient to meet the auditing needs of the Council, Moray Integration Joint Board and the Grampian Valuation Joint Board. The current staffing issues will impact on the completion of the audit plan.

4.3 In addition to the requirement for completing projects detailed within the Annual Audit Plan, a review has also been undertaken of the Grampian Valuation Joint Board. Internal Audit is required to provide annual assurances on the main financial systems operated for payroll, payments and income from funding requisitions from the constituent authorities and other sources. The Joint Board's systems align with those of the Council but require annual review and testing in order to provide assurances for the separate annual financial statements the Board is required to prepare and publish. It is pleasing to report that based on the audit work completed, reasonable assurance can be placed on the adequacy and effectiveness of the system of internal financial control established within the Assessor's Service.

Audit Plan 2024/25

4.4 Preparation has begun to agree on the Audit Plan for 2024/25. Internal Audit's approach to annual audit planning is risk-based with all areas which may be subject to audit review contained within an 'audit universe.' The audit universe is reviewed and updated on an ongoing basis to include all significant activities and systems.

4.5 The consultation process will also provide the opportunity to remind officers of established timescales for responding to requests for information during an audit review and to the recommendations within the audit report. However, as the Audit and Risk Manager, I appreciate the significant workload demands on officers and will always try to accommodate any requests for changes in reporting arrangements.

Follow Up Reviews

4.6 Internal Audit reports are regularly presented to elected members detailing not only findings but also the responses by management to the recommendations with agreed dates of implementation. Internal Audit will also undertake follow up reviews to evidence the effective implementation of these recommendations. Please see detailed the following completed follow up reviews:

Payroll System

- 4.7 An audit has previously been undertaken of the payroll system. The payroll system is one of the core financial systems of the Council in administering approximately £80 million of annual expenditure. A payroll software application called iTrent is used to administer the Payroll Service. It was noted that approximately 5,000 officer payslips are processed every month. The iTrent system has a dual function of meeting the requirements of two main service areas, i.e., Payroll and Human Resources. The audit reviewed the key controls in the management of the Payroll Service. This involved an assessment of the operational effectiveness of these controls. Audit testing included the random selection of a sample of salary payments and deductions to ensure the correct calculation of remuneration and statutory/voluntary deductions are processed timeously and accurately. All recommendations have been implemented. The Follow Up Report to review the implementation of the agreed recommendations is given in **Appendix 2**.

Self Directed Support (SDS)

- 4.8 An audit has previously been undertaken into the financial monitoring arrangements within the SDS Team for direct payments made to service users. The audit has checked for effective procedures in monitoring funds issued to service users. This involved the random selection of a sample of care packages and a check made to ensure compliance with operating procedures, expenditure incurred by the service user is in accordance with the agreed budget and support plans, and surplus funds are recovered from service users where appropriate. A follow up review to evidence implementation of the recommendations found a number remain outstanding. However, it was pleasing to note that the Service is committed to implementing all the recommendations with the progress of the work being undertaken reported to members of the Audit, Performance and Risk Committee of the Moray Integration Joint Board Audit, Performance and Risk Committee on 31 August 2023. The Follow Up Report to review the implementation of the agreed recommendations is given in **Appendix 3**.

Client Monies

- 4.9 An audit was undertaken of how Health and Social Care officers manage income held for individuals under Corporate Appointeeship Arrangements. Where no alternative exists, the Council can make an application to the Department for Work and Pensions (DWP) for a named officer to become the "Corporate Appointee" and have the legal authority to manage an individual's personal finances. The audit involved a review of the procedures undertaken by the Community Care Finance Team into how they manage client funds held within the corporate bank account. In addition, a sample of individuals was also selected, and a check was made on how the Health and Social Care Officer appointed as the named 'Corporate Appointee' manages and supports individuals to access and use their funds appropriately. The follow up review to evidence implementation of the recommendations found all apart from 5.04 had been implemented. Recommendation 5.04 concerns the requirement to undertake a full review of current cash handling procedures for monies withdrawn for distribution to meet the needs of service users. The Service has accepted the need for this recommendation, but implementation is not possible as a reorganisation of the Service is currently being considered. The Follow Up Report to review the implementation of the agreed recommendations is given in **Appendix 4**.

Aberlour Early Years Learning & Childcare Scheme

- 4.10 A follow up review has been undertaken to evidence implementation of the recommendations from the audit undertaken of the Aberlour Early Years Learning & Childcare Scheme. The audit concerned a review of the contract management arrangements for refurbishing Aberlour's early years and childcare nurseries. The audit was requested after concerns were raised by elected members regarding the management of this scheme. The agreed scope for the audit was to review the reporting arrangements and compliance with Financial Regulations, Procurement Guidelines and the Conditions of the Contract for the refurbishment of the Aberlour early years learning and childcare premises. The Follow Up Report to review the implementation of the agreed recommendations is given in **Appendix 5**.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Internal audit work supports good governance and the delivery of efficient services.

(b) Policy and Legal

No implications directly arising from this report.

(c) Financial Implications

No implications directly arising from this report.

(d) Risk Implications

The independent review of selected systems and procedures mitigates the risk associated with inadequate or ineffective control procedures.

(e) Staffing Implications

No implications directly arising from this report.

(f) Property

No implications directly arising from this report.

(g) Equalities/Socio Economic Impact

No implications directly arising from this report.

(h) Climate Change and Biodiversity Impacts

No implications.

(i) Consultations

There have been no direct consultations during the preparation of this report.

6. CONCLUSION

- 6.1 This report provides committee with an update on internal audit work progressed in the latest review period.**

Author of Report: Dafydd Lewis
Background Papers: Internal Audit files Audit and Risk Manager
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