



**INTERNAL AUDIT**

**ANNUAL REPORT and OPINION**

**1 APRIL 2023 to 31 MARCH 2024**

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## **SECTION 1 – INTRODUCTION**

### **Purpose of this report**

The Public Sector Internal Audit Standards (PSIAS) requires the Chief Internal Auditor to 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 the Internal Audit Section 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.

The role of internal audit includes assessing the adequacy of risk management, internal controls and governance arrangements put in place by management, as well as performing testing on a sample of transactions to ensure those controls are operating for the period under review. The Audit and Risk Manager of the Moray Council is the appointed Chief Internal Auditor of the MIJB. The Moray Council's Internal Audit Section undertakes a proportion of available audit days to review the systems and practices of the MIJB. However, agreement is being sought to evidence the work undertaken by 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 2023/24 internal audit reviews were independent of operational processes and their objectivity was not compromised.

## **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 the Moray Council Internal Audit Service during the year to 31 March 2024.
- The governance statement signed by the Chief Officer of the MIJB for the year ended 31 March 2024.
- 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.

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

### **Progress on the 2023/24 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 chosen with 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 of the Disabled Parking Permit Scheme. Disabled parking permits, also known as Blue Badges, allow eligible people to park close to amenities they would otherwise have difficulty accessing. The framework for administering the scheme is set by Transport Scotland, in addition to providing support to assist in consistent operating practices across all local authorities.
- The audit review found a number of improvements required in the administration of Blue Badges. An analysis of the Financial Management System found a significant shortfall in the income received compared to the Blue Badges issued in 2020/21. It is appreciated the extraordinary challenges faced by the Service during the pandemic, however it is of concern that invoices had not been issued during this period. The audit also noted a need for the Blue Badge Scheme Policy to be reviewed and updated to reflect current operating practices.

- A review of the Occupational Therapy Store, now known as the Moray Integrated Community Equipment Store, was undertaken. Occupational therapy stock comprises aids and equipment 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 several thousand for certain types of hoists, specialised seating, etc. A particular feature of this store is that it also deals with returns of equipment that is no longer required, and where possible, this equipment is decontaminated and made available for reuse.
- The audit used the Chartered Institute of Public Finance (CIPFA) System Based Control Matrices as the basis for developing the audit programme. The audit reviewed the systems and controls for managing the store, covering purchases, issues, and storage of stock items. Significant findings were found where improvements are required to current operating arrangements. However, it is pleasing to report that the Service has agreed to all the recommendations.
- As part of the annual audit plan, an audit review was undertaken of the key controls in operation within Children's Services with regard to the external commissioning of social care services. Services delivered included contracts for preventative, support and restorative services, residential care and the commissioning of out of area residential placements required due to the limited capacity of specialised care within the Moray locality. Testing involved a review of the strategy and procedures relating to children's services commissioning, checking financial monitoring arrangements and an assessment of the effectiveness of contract management and monitoring practices. It is pleasing to report that overall, the audit found within the parameters of the audit scope that the delivery and management of children's social care commissioning services are well managed.
- Internal audit reports are regularly presented to members, detailing not only findings but also management's responses to the recommendations with agreed implementation dates. During the year, Internal Audit also reports to the Audit, Performance and Risk Committee follow up reviews to evidence the effective implementation of these recommendations. Follow-up reviews have been undertaken, including self-directed support financial review, client monies and social care & CareFirst system information governance. Unfortunately, it was found that a number of the recommendations had not been implemented, requiring revised dates of implementation to be agreed. These audits and the follow-up reviews to evidence the implementation of the recommendations have been a particularly time consuming commitment for the Internal Audit Section. However, it is pleasing to note that the Service is providing regular updates on the progress in implementing the recommendations detailed within the audit reports to the Audit, Performance and Risk Committee.

**Governance** - from a review of the Annual Governance Statement prepared for inclusion with the MIJB accounts, it was found to have 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. It is also pleasing to note that a report to the Audit, Performance and Risk Committee on 29 June 2023 (item 4) agreed to an updated Local Code of Corporate Governance and the completion of a CIPFA Publication – Practical Guidance for Local Authorities and Police self assessment checklist of best practices for audit committees.

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. However, the delegation of the Children and Families and Justice Social Work Services to the MIJB has provided an opportunity to ensure greater alignment of processes, and it is hoped this will provide benefits in the future delivery of social work and care services. However, the Chief Social Worker has detailed concerns regarding the future financial pressures the Service faces with increasing financial overspending and "a need to pull back in line with reducing budgets." In addition, the report also details difficulties in recruiting social workers and social care staff, resulting in additional workloads for officers. Moving forward, the Service has a number of significant challenges.

Further to an audit review of Adult Social Care Commissioning Service undertaken by KPMG Governance, Risk & Compliance Services and reported to the Audit, Performance and Risk Committee (item 11) on 30 March 2023. The need for this review was highlighted due to concerns raised by senior management of Health & Social Care Moray regarding administrative arrangements within the Adult Social Care Commissioning Service. It is pleasing to report that regular reporting has been undertaken to the Audit, Performance and Risk Committee on the progress of implementing the recommendations of improvements detailed within the audit report. It is hoped this progress will continue during 2024/25.

During the year, discussions have been held with the Internal Audit Provider for NHS Grampian that copies of the internal audit reports issued to NHS Grampian of interest to the MIJB are provided to the Chief Internal Auditor. The intention is to provide additional assurance of NHS systems and practices used to deliver MIJB delegated functions. This has proved challenging, and agreement is still being sought regarding amendments to the terms and conditions document from the Internal Audit Provider for NHS Grampian to allow me to receive copies of these reports and share findings from the reviews with the Audit, Performance and Risk Committee. Copies of these internal audit reports will support and evidence my annual opinion of the MIJB's governance and internal control systems. In my opinion, further development is required in the audit planning and transparency in the audit reporting of projects within NHS Grampian that are of interest to the MIJB.

**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 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 MIJB 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 (PSIAS). A requirement of PSIAS is that an External Quality Assessment (EQA) is undertaken every 5 years.

As part of the Council's membership of the Scottish Local Authorities Chief Internal Auditors' Group, it was agreed that this EQA requirement would be met by each local authority internal audit service undertaking a review of another council and will thereafter receive a review in return. An EQA of the Moray Council's Internal Audit Section has recently been completed by Perth and Kinross Council. It is pleasing to report that the initial feedback provided has indicated full compliance

with PSIAS. A separate report of the assessment will be provided to the Audit, Performance and Risk Committee.

At the Special Meeting of the Moray Council on 28 February 2024, it was agreed to reduce the Internal Audit Section staffing budget by replacing the Corporate Investigations Officer's post with a 0.5 full-time equivalent. This is in addition to deleting an Assistant Auditor post in 2022/23. Further to additional funding secured and the remaining budget from the reduction of the Corporate Investigations Officer post, it has provided a sufficient budget to seek the appointment of a full time Assistant Auditor. I hope that appointing an Assistant Auditor can mitigate the risks associated with reducing staff resources while still maintaining the delivery of an effective internal audit service. However, Members should be aware that I still have serious concerns about the available staff resources to meet the auditing requirements and to support effective counter-fraud and corruption arrangements.

#### **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 its effectiveness. 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 NHS Grampian).

It is appreciated that the Service has made significant progress in implementing recommendations highlighted by the Internal Audit Section and from a review of how the Commissioning Service manages adult social care contracts. However, this work is still ongoing. After consideration, in addition to the findings from work carried out by Internal Audit during the year, 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  
30 May 2024