



REPORT TO: MORAY INTEGRATION JOINT BOARD AUDIT, PERFORMANCE AND RISK COMMITTEE ON 27 JUNE 2024

SUBJECT: INTERNAL AUDIT SECTION COMPLETED PROJECTS REPORT

BY: CHIEF INTERNAL AUDITOR

1. REASON FOR REPORT

1.1 To provide an update on audit work completed since the last meeting of the Committee.

2. RECOMMENDATION

2.1 The Audit, Performance and Risk Committee is asked to consider and note this audit update.

3. BACKGROUND

3.1 Public Sector Internal Audit Standards (PSIAS) require the Chief Internal Auditor to prepare and present reports to the committee on internal audit's activity relative to the audit plan and any other relevant matters.

4. KEY MATTERS RELEVANT TO RECOMMENDATION

4.1 In line with the approved internal audit plan, the following reviews were completed:

Creditor Payments- Regularity Review

4.2 Part of the Council's annual audit plan is devoted to main financial systems, including creditor payments that cover non-payroll expenditure, i.e., payment for works, goods and services to suppliers or contractors. The purpose of the audit was to confirm ongoing compliance with procurement and payment processing regulations.

4.3 Testing was undertaken using a data analysis software application to extract a random sample of transactions for review. A check for duplicate payments was also carried out by extracting listings where more than one invoice from a single supplier had been paid for the same amount. Findings from the testing undertaken did note issues concerning the authorisation, processing

and use of suppliers, but overall, it is considered they do not indicate a systematic failure in operating arrangements. The executive summary for this project is given in **Appendix 1**.

Payroll- Regularity Review

- 4.4 A review of the Council's payroll system has been undertaken. The payroll system is one of the core financial systems of the Council, administering approximately £178 million of annual expenditure. The audit reviewed the effectiveness of key controls in the management of the payroll service. This involved audit testing a random selection of salary payments and deductions to ensure the correct calculation of remuneration and statutory/ voluntary deductions are processed timeously and accurately. The Chartered Institute of Public Finance and Accountancy Control Matrices were used to develop the audit programme.
- 4.5 The findings from the audit undertaken noted that within the scope of this review, effective arrangements are in place in the management of the Council's payroll system. However, improvements were identified. The executive summary and recommendations for this project are given in **Appendix 2**.

Purchasing Cards

- 4.6 An audit has been undertaken to review the systems and procedures for the management, use and control of purchasing cards. Cards are available to officers on approval of their budget manager. They provide flexibility and a cost effective alternative to the standard requisition ordering process. Purchasing cards are managed by a payment card software application administered by the Bank. The audit selected a time period for testing from April to October 2023, with an expenditure of £1.7 million. Findings from the review undertaken found areas where improvements are required in administrative and monitoring arrangements, especially concerning the accounting arrangements for Value Added Tax (VAT) accounting arrangements. The executive summary and recommendations for this project are given in **Appendix 3**.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan "Partners in Care 2022-2032"

Internal audit work supports good governance and assists in securing appropriate systems of internal control.

(b) Policy and Legal

The internal audit service is provided in terms of paragraph 7:1 of the Local Authority Accounts (Scotland) Regulations 2014, and there is a requirement to provide a service in accordance with published Public Sector Internal Audit Standards.

(c) Financial Implications

No implications directly arising from this report.

(d) Risk Implications and Mitigation

Audit reports highlight risk implications and contain recommendations for management to address as a means of mitigating.

(e) Staffing Implications

No implications directly arising from this report

(f) Property

No implications.

(g) Equalities/Socio Economic Impacts

No implications.

(h) Climate Change and Biodiversity Impacts

None directly arising from this report.

(i) Directions

None arising directly from this report.

(j) Consultations

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

6. CONCLUSION

6.1 This report provides Committee with a summary of findings arising from audit project completed during the review period.

Author of Report: Dafydd Lewis, Chief Internal Auditor
Background Papers: Internal Audit Files
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