



REPORT TO: SPECIAL AUDIT, PERFORMANCE AND RISK COMMITTEE ON 1 AUGUST 2019

SUBJECT: INTERNAL AUDIT – ANNUAL REPORT

BY: CHIEF INTERNAL AUDITOR

1. REASON FOR REPORT

1.1 This report provides the Audit, Performance and Risk Committee with details of internal audit work undertaken relative to the Moray Integration Joint Board (MIJB) for the financial year ended 31 March 2019, and the assurances available on which to base the internal audit opinion on the adequacy of the MIJB's systems of internal control.

2. RECOMMENDATION

2.1 **It is recommended that the Audit, Performance and Risk Committee considers this report and notes the audit opinion based on work undertaken during the 2018/19 year.**

3. BACKGROUND

3.1 The Scottish Government guidance issued through the Integrated Resources Advisory Group (IRAG) required the IJB to establish adequate and proportionate internal audit arrangements and for internal audit to provide annual assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control.

3.2 This report provides committee with information on work completed relative to the annual audit plan approved by this committee at its meeting on 27 September 2018 (para 8 of the Minute refers) which, together with assurances from the Health Board and Council described below, informs the internal audit opinion on the MIJB's internal control framework for the financial year 2018/19.

3.3 The annual audit plan noted that the operational delivery of services by the Health Board and Council as principal partners of the IJB would continue during the year and accordingly be covered by their respective internal audit arrangements. It further noted that in terms of providing audit assurances to the IJB:

- There would be an annual audit plan specific to the MIJB and reports on topics included in that plan would be presented to the IJB's Audit, Performance and Risk Committee to provide assurances on the selected areas.
- Grampian Health Board and Moray Council for their own respective interests would agree their own audit plans, and where these audit reports contained information relevant to the MIJB, these would be presented to the MIJB Audit, Performance and Risk Committee as an additional source of assurance.

3.4 The requirement for the Internal Audit Manager to deliver an annual internal audit opinion is contained within the Public Sector Internal Audit Standards (PSIAS), which are mandatory for use by local authorities and associated bodies. The audit opinion informs the annual governance statement published as part of the MIJB annual accounts.

3.5 The PSIAS requires the Chief Internal Auditor to confirm the organisational independence of Internal Audit, and that there has been no limitation to the scope of internal audit work completed. This can be confirmed, noting the planned work in relation to Learning Disabilities (LD) was scaled back by agreement with management pending its progress of a review of how LD services were being commissioned.

3.6 The PSIAS also requires Internal Audit to participate in an external quality assessment (EQA) at least once every five years. This was completed in year as part of a peer review process by the Internal Audit Manager from Fife Council. The assessment identified a number of areas of good practice and the report concluded that the service generally conforms to the PSIAS. The review identified a number of areas for improvement and an action plan has been developed to be taken forward for implementation during 2019/20. A separate item on this agenda provides the detailed results from the PSIAS review.

3.7 A summary of the findings arising from the audit projects is summarised as follows:

Subject and Scope	Objective	Outcomes
Commissioning of Services – Learning Disabilities	To provide assurances that progress is being made to reconfigure services in a manner aligned to meet the needs of service users.	Internal audit has noted work ongoing in this area with a number of contracts having been reviewed and services reprovisioned. A recent Care Inspectorate thematic review of self-directed support in Moray also highlighted the learning disability transformation project as a ‘good example of a strategic approach to

		<p>delivering whole system change with Health, Social Work and wider partners'. Further Internal audit work to assess progress will be completed during 2019/20.</p>
Payroll testing	<p>To confirm the veracity of employee costs and ensure appropriate controls are in place.</p>	<p>Subject to annual review on the grounds of materiality, a focus this year has been on system access controls. Processing high volumes of sensitive and personal data, it is important to have assurances that data security and access arrangements are robust. Payroll testing of data for samples of employees across various services including social care facilities was concluded in satisfactory terms.</p>

Subject and Scope	Objective	Outcomes
Contributions Policy	<p>To confirm the correct and consistent application of the contributions policy.</p>	<p>The Contributions Policy applies to Self-Directed care and support charges for non-residential services accessed by adults. The scope of the audit was to review a sample of financial assessments for service users with varied circumstances, and who access a range of care and support services, to confirm the correct and consistent application of the Policy,</p>

<p>Governance review</p>	<p>To ensure compliance with CIPFA/SOLACE guidance and the MIJB's local code of corporate governance.</p>	<p>The main issues raised for management consideration arising from the review covered the need for a policy update to reflect legislative change, performing additional checks to ensure completeness of information and, in cases where the MIJB is both making a social care payment and recovering a service user contribution, arranging to set off one against the other.</p> <p>This involved a review of the annual governance statement and the local code with comments being provided to the Chief Financial Officer ahead of their finalisation and reporting to the Board.</p>
Subject and Scope	Objective	Outcomes
<p>Self Directed Support (SDS)</p>	<p>Participation in the national study and development group to provide specialist advice around the rolling out of SDS policy and procedures.</p>	<p>Social Care in Moray was an early adopter of Self Directed Support and a steering group was formed to develop policy and practice in this area. Internal audit's interest has primarily been from a financial control perspective, specifically around the accounting for public funds issued as direct payments. Advice has also been given in respect of individual cases where recovery of funds has been required.</p>

4. KEY MATTERS RELEVANT TO RECOMMENDATION

- 4.1 All planned internal audit projects have been progressed as intended. In addition, a meeting has been held with Senior Managers and Chief Internal Auditors across the three north east councils to look at how audit assurances can be developed as the IJBs mature. The need for collaborative working across audit and inspection, first considered after the IJBs were formed, remains, with the intention to progress an assurance mapping exercise to aid disclosure of areas where audit work should be focussed.

Opinion

- 4.2 Based on the work completed as outlined in this report the Chief Internal Auditor is of the opinion that reasonable assurance can be placed on the adequacy and effectiveness of the MIJB framework of governance, risk management and internal control in the year to 31 March 2019.

The opinion is based on a number of sources:

- Internal audit work completed during the year in line with the agreed audit plan in relation to the MIJB and relevant areas within Moray Council.
 - Review of the arrangements for reporting to the Board and the Audit, Performance and Risk Committee specifically relating to governance and the management of risk.
 - Internal audit reports relevant to the MIJB prepared by PricewaterhouseCoopers, the appointed internal auditors for NHS Grampian.
- 4.3 In addition, PricewaterhouseCoopers has provided an annual assurance opinion on its work for NHS Grampian during 2018/19 and a copy of this has been requested to cover those elements of the IJB delivered using Health Board funding.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Commissioning Plan 2016 – 2019

Audit assurances support good governance which is integral to the delivery of strategic plans for the Moray area.

(b) Policy and Legal

No implications

(c) Financial implications

No implications

(d) Risk Implications and Mitigation

No direct implications

(e) Staffing Implications

None

(f) Property

None

(g) Equalities/Socio Economic Impact

An equality impact assessment is not required as there will be no impact on people with protected characteristics as a result of consideration of this report.

(h) Consultations

This report has been discussed with the Chief Officer of the IJB and any comments made have been considered in writing the report.

6. CONCLUSION

6.1 This report provides a summary overview of the nature and extent of audit work carried out during the year, and informs the annual internal audit opinion on the internal control environment operating within the IJB.

Author of Report: Atholl Scott
Background Papers: Internal Audit files
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