

HSCM Logo

**INTERNAL AUDIT**

**ANNUAL REPORT and OPINION**

**1 APRIL 2020 to 31 MARCH 2021**

## **1. Background**

- 1.1 This report is issued in compliance with the Public Sector Internal Audit Standards (PSIAS) which requires the Chief Internal Auditor to deliver 'an annual internal audit opinion and report that can be used by the organisation to inform its governance statement', and which 'must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control'.
- 1.2 The annual report must incorporate:
- the scope, including the time period to which the opinion relates, and any scope limitations;
  - consideration of all related requirements including reliance on other assurance providers
  - a summary of the information that supports the opinion; and
  - the risk or control framework or other criteria used as a basis for the overall opinion
  - the overall opinion, judgement or conclusion reached
- 1.3 The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

## **2. Basis of Opinion**

- 2.1 The opinion is based on my knowledge of the Moray Integration Joint Board's governance, risk and control processes and from internal audit activity completed during the period to 31<sup>st</sup> March 2021. The provision of the opinion is an important source of assurance and any 'limitations in the scope' as a consequence of the pandemic require to be disclosed.
- 2.2 Factors identified by the Chartered Institute of Public Finance and Accountancy as having the potential to impact on the availability of assurance from Internal Audit during the pandemic include:
- the changing risks and impacts on the organisation;
  - whether key governance, risk management and internal control arrangements have deteriorated or been maintained;
  - changes to the resource base of internal audit whether staff or budget related;
  - demands made on Internal Audit for any advisory or non-audit support activity that does not directly support the audit opinion;

- operational disruption that impacts on the access of internal audit to key staff, information or systems resulting in greater inefficiency and reduced outputs

### **3. Risk or Control framework informing the Opinion**

#### **3.1 Assessing each of the above factors in turn:**

- There were significant risks and impacts arising as the services falling within the scope of the MIJB moved to respond to the emergency and lockdown. Internal audit noted the mechanisms established to secure continuity of essential services. In March 2020, the MIJB granted delegated authority to the Chief Officer to take decisions in respect of matters that would ordinarily require Board approval, and using digital technology, the Board was able to meet remotely and the planned timetable of MIJB meetings was fulfilled. A further report was presented to the MIJB in September 2020 where it was no longer considered necessary for the Chief Officer to hold emergency decision making powers and consequently these were removed.
- Key governance, risk management and internal control arrangements have been maintained with resources of Health and Social Care Moray (HSCM) directed by an emergency response group that has been operational since the end of March 2020. HSCM has been represented on the emergency response groups of Partner organisations, providing the necessary links and flow of information to ensure a co-ordinated response on a pan-Grampian basis and locally within Moray. The evolving picture in relation to the management of risk has been captured in a regularly updated risk register that is presented to the Audit, Performance and Risk Committee, and towards the end of the year the Board considered and approved an Organisational Governance Framework that provides an overview of how the MIJB is managed and controlled.
- The audit staff resource was maintained for the full year with all posts within Internal Audit's staffing establishment filled. Some of the resource was diverted to advisory or non-audit duties linked to the pandemic, including supporting the administration of COVID-19 Business Grant awards and dealing with appeals relating to eligibility for grant support made under various schemes.
- The operational efficiency of internal audit has not been impacted to the extent it might have been with staff having remote access to main financial systems. Audit work was successfully carried out on these systems it being noted that controls in place remained effective, with in some cases controls being successfully adapted to accommodate remote working. It also continued to participate in a

working group providing advice on controls relative to the provision of self-directed support care packages to eligible service users.

- There have been some limitations on the scope of internal audit activity occasioned by delays in being able to access key staff who themselves were encountering significant workload demands; by being unable to access certain facilities due to homeworking restrictions, and by being unable to access systems that potentially could be subject to audit. Setting this in context, any restrictions applying were not considered to be material in terms of affecting the audit opinion, when assessed alongside other available assurances referenced throughout this report.

## **4. Summary of Work that supports the Opinion**

### **4.1 The audit assessment of the adequacy and effectiveness of the Council's system of internal control comprises the following elements:**

- 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 in terms of 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.
- Risk Management – procedures are well developed with a risk management policy and strategy in place, a risk appetite statement has been developed and a risk register reviewed and updated at regular intervals. 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.
- Internal Control Environment – the internal control environment has been evaluated through completion of a range of audit projects. Audit planning this year was more agile given the emerging situation, yet remained risk-based, with work undertaken throughout the year to provide assurances that the main payroll and payments systems continued to operate with suitable controls in place. The plan was also flexible so as to allow emerging control systems to be assessed e.g. for the distribution of funding streams linked to the pandemic.

- In completing the audit of payments, supporting information for a small number of sampled social care charges was not available for review. This related to invoices from suppliers of commissioned services, and linked to findings from prior audit work that reported there was more work required to update service contracts to better align these with current policy and service user needs. It was noted that work on commissioning has been restricted during the period of the pandemic, and it is expected that some impetus will be given to reinvigorating the commissioning process when resources can be made available to undertake this task.
- The council's participation in the National Fraud Initiative co-ordinated by Internal Audit also provided positive assurances on a range of datasets. Most of the matched data made available for review in this latest period has been linked to recent changes of circumstances or has signposted a need for data cleansing, as opposed to highlighting fraud or other irregularity involving public funds. The need for prompt cancellation of blue badges no longer required has been highlighted as an issue and systems are being changed to address this system weakness.
- Internal audit operates independently within the organisation and while there may have been limitations in the scope of the audit as a consequence of the pandemic, there have been no limitations imposed by management on the scope of audit work performed. The internal audit opinion has been informed by the audit work completed during the year with substantial reliance placed on the assurances provided by the management of NHS Grampian as the other assurance provider in informing this opinion.

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

- 5.1 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.
- 5.2 The Scottish Local Authorities Chief Internal Auditors' Group, comprising the audit managers or equivalent of all Scottish Councils, has developed a checklist for assessing conformance with the Standards. This supports the requirement for periodic self assessments and external assessments as part of Internal Audit's Quality Assurance and Improvement Programme.
- 5.3 During the year, the focus for the Chief Internal Auditor has been to continue to progress the implementation of recommendations made following an external quality assessment of internal audit in 2019. This

work is now largely completed with recommendations relative to audit work for the MIJB implemented in full.

## **6. Quality Assurance and Improvement Programme**

- 6.1 The external inspection confirmed that the MIJB's internal audit service generally conforms to the required Public Sector Internal Audit Standards, and this position has been strengthened with the application of the recommendations given in the inspection report. Internal monitoring of performance against the Standards will continue until the next External Quality Assessment, scheduled for 2023, is completed.

## **7. Opinion**

- 7.1 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 to monitor the effectiveness of that system, and it is the responsibility of the Chief Internal Auditor to provide an annual assessment of the robustness of the internal control system.
- 7.2 The provision of this annual assessment and opinion has had regard to the consequences of the pandemic relative to service disruption and audit staff working from home. The effect of these impacts was to reduce the outputs of the internal audit team although setting this in context, any restrictions applying were not considered to be material in terms of affecting the audit opinion, when assessed alongside governance practices referenced throughout this report and the controls assurances provided separately by NHS Grampian and Moray Council. (*NHS assurances are available in interim form at the time of drafting this report – tbc following Board meeting in August.*)
- 7.3 Having regard to the factors outlined above, it is my opinion, as the Chief Internal Auditor, that reasonable assurance can be placed on the adequacy and effectiveness of the Moray Integration Joint Board's framework of governance, risk management and internal control for the year ended 31 March 2021.

Atholl Scott, CMIA  
Chief Internal Auditor  
16 June 2021