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**REPORT TO: MORAY INTEGRATION JOINT BOARD AUDIT, PERFORMANCE AND RISK COMMITTEE ON 13 DECEMBER 2018**

**SUBJECT: INTERNAL AUDIT UPDATE**

**BY: CHIEF INTERNAL AUDITOR**

**1. REASON FOR REPORT**

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

**2. RECOMMENDATION**

**2.1 It is recommended that the Audit, Performance and Risk Committee:**

- i) considers and notes the contents of this update report: and**
- ii) notes that a further report relating to payroll testing will be presented to this committee in March 2019.**

**3. BACKGROUND**

3.1 At the meeting of this Committee on 27 September 2018, planned internal audit coverage was considered for the remainder of financial year 2018/19 (paragraph 8 of the draft Minute refers). In forming the plan, it was recognised that the operational delivery of services within the health board and local authority as directed by the Moray Integration Joint Board (MIJB) continues to be covered by their respective internal audit arrangements.

3.2 Thus, in addition to the work of the council's internal audit team, the Committee also receive copies of audit reports completed by PricewaterhouseCoopers (PwC) for the Health Board where these have a bearing on the MIJB. Two such reports are imminent, one on Health and Social Care Governance structures and a second on the Unscheduled Care Discharge Process (including interaction with IJBs). For this latter review, consideration was given to whether some form of joint audit input would be appropriate with the discharge process extending across hospital and community services but at this stage audit plans are separately developed. It should be possible however to align audit work in the community to any outcomes from the PwC review and this will assist ultimately in bringing the audit planning arrangements closer where appropriate.

3.3 In relation to this plan an agreed audit input of 80 days was made available by the council for audits relating to the MIJB and Social Care described as follows.

- **Learning Disabilities (Commissioning):** Under the headings of Commissioning and Specialist Services internal audit selected budgets totalling £7.1 million for review and established that while there are adequate audit trails for expenditure incurred there have been delays in updating procurement contracts with service providers. Existing contracts having been extended sometimes on more than one occasion, and there is a recognition that these no longer remain fit for purpose. The service is being supported by the council's procurement team but has made limited progress in its endeavours to ensure that the services commissioned are best aligned to the needs of service users. While this work is recognised a priority area it will need to be taken forward alongside other workloads. Further information is provided as **Appendix 1**.
  
- **Payroll Testing:** Aside from procured services staffing costs are a major element of the MIJB's costs and typically annual audit plans will include some payroll testing to confirm the veracity of employee costs. In this current year to date the following work has been undertaken:
  - Collated overtime analysis – not of large scale and in expected areas of home care and supported accommodation facilities;
  - Looked at Independent Living Service – on analysis this is the Home from Hospital Team of Home Carers and therefore similar to mainstream Home Care covered in prior year audit;
  - Analysed staff costs for the Hospital Discharge Team – the team of social workers providing liaison from acute discharge to community. (to potentially link with the PwC work described above);
  - Analysed staff costs for council funded Mental Health care staff – This is the team at Pluscarden Clinic providing support for adults with mental health issues in the community. A service review in this area is also ongoing and progress on this will inform the timing of further testing of these costs.
  - Reviewed staff costs for Employment Support Services and Moray Resource Centre which are prominent costs in these service areas.

With the council having recently introduced a new payroll system, a prior control that involved circulating staff lists to budget managers for checking was temporarily ceased, therefore, this coverage is designed to provide assurances that employee cost allocations in the ledger are correct. This will be the subject of a more detailed report to the March Committee.

- **Contributions Policy:** This work is to review a sample of financial assessments for service users to confirm the correct and consistent application of the contributions policy and is still to commence.
  
- **Governance Review:** This is an annual requirement to inform the audit opinion on the governance arrangements linked to Scottish Government guidance and best value requirements and will take place towards the end of the financial year so as to be able to conclude on governance arrangements for the full year. The work of PwC in this area will in part inform this review.

- **Self-Directed Support (SDS):** This work takes the form of ongoing participation in a service development working group. Recently this has included advice on how to progress recovery of funds from service users or their representatives where SDS funds are accumulated and are then not applied for the intended purposes, for example where a contingency element has been used for additional care not within the agreed support plan. In a single high value case an amount of £10K was recovered. A meeting also took place with inspectors from the Care Inspectorate to discuss Internal Audit involvement in the SDS process.
- **Additional Work:** unscheduled work was also undertaken to consider future management arrangements of a corporate bank account operated by the council. This is used to transact funds for service users who lack capacity and who have no personal representatives that can assist. This at a time when both the council's banking manager and community care finance officer are leaving or have left employment of the council. The audit team are also looking at non payroll costs and recoveries associated with the Employment Support Services and Moray Resource Centre given they are limited in scope and unlikely to be picked up in any other audit reviews.

#### **4. KEY MATTERS RELEVANT TO RECOMMENDATION**

- 4.1 This report provides an update on audit work in progress and further information will be provided as and when projects are progressed and recommendations agreed with management.

#### **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**

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

**(b) Policy and Legal**

Internal audit provides independent assurances in line with Integrated Resource Advisory Group guidance

**(c) Financial implications**

No direct implications

**(d) Risk Implications and Mitigation**

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

**(e) Staffing Implications**

No implications

**(f) Property**

No implications

**(g) Equalities/Socio Economic Impact**

No implications

**(h) Consultations**

Relevant staff are consulted during completion of audit work. There have been no direct consultations in respect of this report.

**6. CONCLUSION**

**6.1 This report provides Committee with an update on progress towards completion of the audit work on topics contained within the annual audit plan.**

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