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**REPORT TO: MORAY INTEGRATION JOINT BOARD AUDIT, PERFORMANCE AND RISK COMMITTEE ON 28 MARCH 2019**

**SUBJECT: INTERNAL AUDIT UPDATE**

**BY: CHIEF INTERNAL AUDITOR**

**1. REASON FOR REPORT**

1.1 To provide an update on progress towards delivery of the internal audit plan for the 2018/19 year and on work being undertaken to inform the 2019/20 programme of internal audit work.

**2. RECOMMENDATION**

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

- i) the contents of this update report,**
- ii) the internal audit reporting protocol as outlined in APPENDIX 1**

**3. BACKGROUND**

3.1 At the meeting of this Committee on 13 December 2018 (paragraph 5 of the draft Minute refers), it was reported that internal audit had undertaken planned audit work on the payroll system used for all employees of the Moray Council.

3.2 In this current year to date, with particular reference to employee groups funded by council and working for Health and Social Care Moray, Internal Audit has;

- Collated an overtime analysis – not of large scale and in expected areas of home care and supported accommodation facilities;
- Looked at the payroll costs for the Independent Living Service – 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.

- 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 and confirmed staff costs for Employment Support Services and Moray Resource Centre which are prominent costs in these service areas.

3.3 Annual assurances on elements of the payroll system fall to be provided principally on grounds of materiality with payroll costs exceeding 70% of the total council budget. Reflecting this significance, the audit testing extends beyond social care with coverage in the 2018/19 year also taking in an overarching review of payroll system access controls (to ensure there is a clear audit trail as to who is accessing data and for what purpose), testing of specific staff groups subject to particular terms and conditions (e.g. supply teachers) and computation of wages paid to new starts and leavers.

3.4 In addition the annual audit plan prepared by PricewaterhouseCoopers (PwC) for NHS Grampian provides for a review of key financial controls, also to include payroll work. This work is scheduled for the current (4<sup>th</sup>) quarter of the financial year and will inform the assurances to be provided on payroll applicable to NHS systems.

3.5 In relation to the MIJB plan for 2018/19 an agreed audit input of 80 days was made available for audits relating to Social Care. The status of each one is as follows.

- **Learning Disabilities:** An interim report was prepared noting that the service had recognised a need to review existing contract arrangements to ensure these were aligned to service users requirements – this work had started but was at an early stage and is to be the subject of further audit work in 2019/20
- **Contributions Policy:** This work was to review a sample of financial assessments for service users to confirm the correct and consistent application of the contributions policy. The audit fieldwork has been completed and a draft report prepared and issued to management for comment and completion of the agreed action plan.
- **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 imminently so as to be able to inform governance arrangements for the full year. The work of PwC in this area will in part inform this review.
- **Self-Directed Support:** This work takes the form of ongoing participation in a service development working group and continues.
- **Payroll Testing:** as summarised above.

3.6 Coming up to the year end, consideration has also turned to what the audit plan for 2019/20 should include and two meetings have taken place with the

Health and Social Care Senior Management Team to discuss recent audit coverage and seek views as to potential audit topics. A meeting was also scheduled with the Chief Officers of the three IJBs and other relevant officers to discuss how planned NHS internal audit activity could inform assurances available to the IJBs. This meeting was postponed and has still to take place at the time of preparing this report. Any update available will be provided at the meeting.

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

- 4.1 This report provides an update on audits progressed in relation to the planned work for 2018/19; and notes the work taking place to inform planned work and audit assurances that will be made available for the incoming financial year.
- 4.2 At a meeting on 13 December 2018 (para 6 of the draft Minute refers) the committee sought assurance of the monitoring of progress made in implementation of internal audit recommendations. **APPENDIX 1** outlines the protocol in place and a summary will be provided as part of the Annual Audit report on 25 July 2019.

#### **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 Information Resources 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**

An Equalities Impact Assessment is not required because there are no service, policy or organisational changes being proposed in this report.

**(h) Consultations**

The Chief Financial Officer and Caroline Howie, Committee Services Officer have been consulted in respect of this report and their comments incorporated.

**6. CONCLUSION**

- 6.1 This report provides the Committee with an update on progress towards completion of the projects in the 2018/19 internal audit plan and on preparation work underway to inform internal audit coverage for the incoming financial year.**

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