



REPORT TO: MORAY INTEGRATION JOINT BOARD AUDIT, PERFORMANCE AND RISK COMMITTEE ON 25 MARCH 2021

SUBJECT: INTERNAL AUDIT UPDATE

BY: CHIEF INTERNAL AUDITOR

1. REASONS FOR REPORT

- 1.1 To provide an update on audit work progressed since the last meeting of the Committee in November and on the implications for audit planning for the 2021/22 financial year.

2. RECOMMENDATION

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

3. REPORT

Context

- 3.1 Public Sector Internal Audit Standards require the Chief Internal Auditor to prepare and present reports to committee on Internal Audit's activity, outcomes, and any other relevant matters.
- 3.2 Usual reporting practice has been suspended during the pandemic with internal audit having to alter the focus of its work given restrictions arising from working from home and services subject to audit having to adapt, sometimes significantly, to prioritise immediate and pressing service demands. While the audit approach may have changed the emphasis has remained on seeking to provide assurances around the proper use of public funds, and this is consistent with Audit Scotland's view that audit quality cannot be compromised.
- Audit work completed - Key Systems**
- 3.3 While work on service specific audits has been limited during the year, a focus has been maintained on the integrity of key systems notably those which cover the main expenditure of the Board's activities, namely payroll and creditor payments.

Payroll

- 3.4 Payroll audit work has been undertaken in two phases; the first earlier in the year looked at a sample of new starts and leavers to ensure appropriate documentation was available and that the correct initial and final salary payments had been made as appropriate. The audit validated pay and allowances for a sample of continuing employees including verifying their employment status with relevant service managers. The audit also looked at the reconciliation processes between payroll and the ledger, and at the computation of amounts remitted monthly for PAYE (Income Tax), National Insurance and Pension Contributions. The audit work was concluded in satisfactory terms.
- 3.5 Updating this work more recently, a ledger review of payroll costs to the end of Month 10 (January 2021) showed these costs to be well within budget as a consequence of service restrictions and vacancies across most service areas that are funded from council budgets. Work is ongoing to test further payroll samples to give assurances that together will cover the main part of the year. From the ledger review, no excessive overtime spend has been noted and with more staff now submitting timesheets electronically, this process is being reviewed to ensure authorisation controls remain effective.

Creditor Payments

- 3.6 Internal audit has also monitored samples of creditor payments, looking not only at the payment processing arrangements during the pandemic but also at the extent to which it has been feasible to maintain established procurement practices. This work has covered supplies and services and costs across services including social care so as to provide assurances relevant to the Integration Joint Board.
- 3.7 The process has been protracted with invoices being extracted direct from the ledger and requests then being made by email to services and the procurement team in respect of any queries arising. In consequence, progress has been much slower than would normally be the case and this work continues. However, from samples reviewed thus far, the integrity of the systems and the rationale for payments made have been confirmed, while noting that some service contracts due for review and renewal have meantime been extended.

Adaptations - Private and Council Housing

- 3.8 As previously reported, this review was substantially completed pre pandemic and the audit report remains in draft. The budget for adaptations work is an amalgam of funding from Social Care and Housing and a number of recommendations were made that required responses from three different officers. These have now been obtained and agreement reached on the recommendations in principle, however, the programme of works has been stalled by the pandemic, and the waiting list for adaptations has grown substantially. The Adaptations Governance group has not met for some time and the audit recommendations are unlikely to be formally signed off until a meeting of this group takes place.

Care Homes/Residential Nursing (excluding assessment criteria)

- 3.9 As previously reported, this audit remains in the plan but the remit has not been agreed and unless there is a specific risk that has been identified by service management as requiring independent review, it is recommended this

audit be deferred meantime. This on the basis that exceptional circumstances continue to apply and at the time of the last audit of this topic there was confidence that financial and care assessment control processes were working as intended.

- 3.10 Instead, at this time, the Chief Internal Auditor has taken the view that it is important to glean assurances to the extent possible on issues that have emerged as a consequence of the pandemic. Two such reviews have taken place which may be of interest to the IJB, the first on Supplier Sustainability Relief Payments and the second on the Flexible Food Fund. Both of these initiatives were introduced by Scottish Government to provide additional financial support via local authorities.

Supplier Relief Programme

- 3.11 This programme was established in terms of a Scottish Procurement Policy Note, which provided guidance on support to suppliers and contractors facing hardship given disruption to services and contracts as a consequence of the pandemic. This was supplemented with sector specific guidance issued to social care providers in the form of national principles agreed by COSLA and Scottish Government. The support extended to both loss of income where services were suspended as well as contributions to meet additional costs incurred. To date, in excess of £2 million has been allocated in the form of discretionary payments or advance payments, with Social Care and Public Transport providers the main recipients of financial relief through this programme.

- 3.12 A panel of officers from procurement and relevant departments was created to review and assess the reasonableness of submissions made by suppliers and contractors, and while a degree of judgement was required in assessing each application:

- There was good audit evidence held for each application tested, showing a clear audit trail from application to authorisation;
- The judgement applied in each case was considered appropriate relative to the circumstance presenting;
- Ultimately, authorisation to pay was given by the Chief Financial Officers of both the Council and the Integration Joint Board.

Flexible Food Fund

- 3.13 The Flexible Food Fund was made available by Scottish Government to provide payments to individuals and families experiencing difficulties in accessing income to pay for food during the pandemic. The Government provided local authorities with basic principles of how to manage the funds, with flexibility permitted for each council to determine how best funds should be distributed. In broad terms, Moray Council provided grant funding in two tranches with funding awards dependent on the size of a household, with some £420,000 being allocated to 1200 households.

- 3.14 Managing the scheme involved the Money Advice Team which has experience in supporting individuals with their finances. Audit testing of a sample of payments was made against documentation developed and held by the council. From this it was concluded that the scheme had been effectively managed, indeed it was noted that the Moray Council scheme has been recognised nationally as an exemplar of good practice.

Follow up work - Learning Disabilities (LD) and Care first

- 3.15 Committee has previously been advised that Internal Audit had been asked to conduct further work to assess progress being achieved in redesign of LD services, having prepared an audit report on this topic in 2018. It was noted then that there was a clear intention to transform services and the Chief Internal Auditor had concluded from Board papers and the report of the Chief Social Work Officer that the Board is well sighted on what needed to happen. Doubtless the pace of change will have been impacted by workload pressures in recent months. For now; this will remain as a pending audit review until the timing is considered right to conduct further audit work on LD services.
- 3.16 Likewise, work to follow up the recommendations made in the 'Carefirst Information Governance' audit completed last year has still to be undertaken.

Joint working

- 3.17 The recent development session considered the work of Internal Audit for the IJB in terms of providing assurances, noting that per guidance issued by the Integrated Resources Advisory Group (IRAG), internal audit work should be 'adequate and proportionate'. These terms are not defined.
- 3.18 While the IRAG guidance dates back to the time when IJBs were separately constituted, there has been no further guidance issued on Internal Audit arrangements, which is perhaps surprising given how IJBs are evolving. That said, no matter how much integration takes place in terms of front facing service delivery, the fact remains that these services continue to be funded almost entirely by either the Health Board or the Council. Thus the view could be taken, and for reasons outlined below probably has been taken, that the direct assurances for the IJB need only consider controls at a strategic level, e.g. on matters such as governance and strategic planning, given that operational controls associated with the day to day use of resources remains with the delivery partners.
- 3.19 The rationale for the above assessment is that across Scotland, Chief Internal Auditors appointed to IJBs typically schedule no more than 20 days annually on IJB work per se, the remainder of the time, anything between 50 and 100 days, is spent on audits within social care, which arguably in equal measure provides assurances to the council as well as to the IJB.
- 3.20 Given this, it can be concluded that the Chief Internal Auditor role is to affirm that the IJB is operating as intended in terms of discharging its statutory functions, while also drawing on assurances provided from the Health Board and from the work of the Council's own audit team when providing the annual assurance opinion for inclusion within the IJB annual accounts.
- 3.21 How joint working is taken forward will need to be considered in the context of the arrangements outlined above. Should the IJB seek greater assurances than these current arrangements afford, further work will be required to assess how this can be achieved in practice. A working group involving the audit committee chairs of NHS Grampian and the three IJBs in Grampian together with relevant officers is currently considering this with a further meeting scheduled for mid-April.

Audit Assurance Opinion

- 3.22 In the context of audit work that has been completed, the Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance on the provision of internal audit assurances for the 2020/21 financial year. This notes that in order to comply with Auditing Standards, the Chief Internal Auditor is required to consider whether he can provide the 'normal' annual internal audit opinion or whether there needs to be a 'limitation of scope'. A 'limitation of scope' arises where the Chief Internal Auditor is unable to draw on sufficient assurances to issue a 'complete' annual opinion in accordance with the Standards.
- 3.23 The guidance notes the importance of the early identification of the risk of a 'limitation of scope' and suggests a number of mitigating actions to avoid such a limitation where possible, as follows:
- The Chief Internal Auditor should plan to obtain sufficient assurances to support his annual opinion, taking into account both IA work and other sources of assurance, either internally from support services / teams or from other external inspectorates;
 - The Chief Internal Auditor should make best use of available resources. This is reflected in the plan for the remainder of the year and will involve devoting less time to audit reporting and more to undertaking testing work from which assurances can be derived;
 - Senior Management and the Audit Committee should be advised of and review the approach being taken.
- 3.24 The guidance also calls for consideration as to whether or not there is a likelihood of a 'limitation of scope' applying. At the time of drafting this report in early March, a programme of work has been developed with the intention of being able to provide the necessary assurances to inform the internal audit opinion for the council. This by definition should inform the opinion for the IJB providing that similar assurances are available from NHS Grampian. The situation will continue to be monitored and an update will be provided at the meeting.

Audit Planning for 2021/22

- 3.25 Ordinarily work to agree a programme of audits for 2021/22 would have been further progressed, however circumstances make this difficult and the ability to be agile and adaptable seems more appropriate at this time. The situation will continue to be monitored with hopefully a formal plan being able to be taken forward for at least part of the financial year if a situation closer to 'normal' is secured.

4. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP)) and Moray Integration Joint Board Strategic Plan "Moray Partners in Care 2019 – 2029"

Not directly applicable.

(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

The pandemic continues to generate challenges for all services, and with the new normal as yet uncertain internal audit's focus will be to do what it can to support good governance and the integrity of systems; to learn from the experience and give consideration to how best it can continue to provide the audit assurance required in terms of Internal Auditing Standards.

(e) Staffing Implications

No implications

(f) Property

No implications.

(g) Equalities/ Socio Economic Impacts

No implications.

(h) Consultations

The MIJB Chief Financial Officer has been consulted in respect of this report.

5. CONCLUSION

5.1 This report provides an update on progress re projects included in the audit plan and on other issues relevant to the MIJB.

Author of Report:	Atholl Scott, Chief Internal Auditor
Background Papers:	Internal Audit Working Papers
Ref:	mijb/ap&rc/25032021