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**REPORT TO: MORAY INTEGRATION JOINT BOARD AUDIT, PERFORMANCE AND RISK COMMITTEE ON 24 JUNE 2021**

**SUBJECT: INTERNAL AUDIT UPDATE/ANNUAL OPINION**

**BY: CHIEF INTERNAL AUDITOR**

**1. REASON FOR REPORT**

- 1.1 To provide an update on audit work progressed since the last meeting of the Committee and an annual internal audit opinion.

**2. RECOMMENDATION**

- 2.1 **The Audit, Performance and Risk Committee is asked to consider and note this audit update and the Chief Internal Auditor's opinion that reasonable assurance can be placed on the adequacy and effectiveness of the MIJB's system of governance, risk management and internal control for the year ended 31 March 2021.**

**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 funded from council budgets. Work has been concluded on this second phase review and a summary of the audit findings is provided as **Appendix 1**.

## **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 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. However, from the samples reviewed, 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.
- 3.8 In concluding this audit, supporting information for a small number of invoice charges from service providers was not made available, an indication that there is more work to be done on social care commissioning to better align contracts to current service user need. A summary of the audit findings is provided as **Appendix 2**.

## **Adaptations - Private and Council Housing**

- 3.9 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 is now scheduled to meet on 5 July and it is hoped the responses to the audit recommendations can be agreed at that meeting.

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

- 3.10 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 needs 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.
- 3.11 Similarly, work to follow up the recommendations made in the 'Carefirst Information Governance' audit completed last year has still to be finalised with some delays occurring due to staff changes within Children's Services.

### **Joint working**

- 3.12 Exploratory meetings have been held at the request of the Chair to assess the feasibility of joint working across internal audit teams from the three IJBs and NHS Grampian. This on the basis that as integration becomes more embedded across sectors then the audit processes should be similarly aligned. The outcomes from these informal meetings were favourable albeit the selection of audit topics and the resourcing of the audit work are challenges that still need to be addressed. Certainly from a Chief Internal Auditor perspective there is limited internal audit resource available to support extensive cross sectoral work and this will need further consideration at audit planning stage if a programme of 'joint' audit working is proposed going forward.

### **Audit Assurance Opinion**

- 3.13 In the context of audit work completed, the Chartered Institute of Public Finance and Accountancy (CIPFA) published guidance on the provision of internal audit assurances for the 2020/21 financial year. This was reported to the meeting of this Committee in March and noted 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.
- 3.14 The guidance has been taken into account in developing the Chief Internal Auditor's opinion which concludes that there has been no material limitation of scope and that as such reasonable assurance can be given on the adequacy and effectiveness of the systems of governance, risk management and internal control for the year to 31 March 2021, all as detailed in **Appendix 3**.

#### **4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Plan and 10 Year Plan (Local Outcome Improvement Plan (LOIP))**

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 we 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 considers audit work recently completed and provides the Chief Internal Auditor's annual assurance opinion for the year ended 31 March 2021.**

Author of Report:	Atholl Scott, Chief Internal Auditor
Background Papers:	Internal Audit Files
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