



REPORT TO: AUDIT AND SCRUTINY COMMITTEE ON 8 MAY 2024

SUBJECT: INTERNAL AUDIT SECTION UPDATE REPORT

BY: AUDIT AND RISK MANAGER

1. REASON FOR REPORT

- 1.1 The report provides Committee with an update on the work of the Internal Audit Section.
- 1.2 This report is submitted to Committee in terms of Section III (1) (2) and (8) of the Council's Scheme of Administration relating to consideration of reports from the Council's Internal Auditor and monitoring delivery of the audit service through receipt of quarterly reports on work carried out by Internal Audit.

2. RECOMMENDATION

- 2.1 **Committee is asked to consider the contents of this report, seek clarification on any points noted and otherwise note the report.**

3. BACKGROUND

- 3.1 Public Sector Internal Audit Standards requires the Audit and Risk Manager to prepare and present reports to committee on internal audit's activity, performance relative to its Audit Plan, and any other relevant matters.
- 3.2 This report provides an update on audit activity and projects progressed since the last meeting.

4. UPDATE OF PROGRESS AGAINST THE 2024/25 AUDIT PLAN

Audit Plan Update

- 4.1 The Internal Audit Plan is a means of determining the priorities of the internal audit activity and how these fit with the wider goals of the Council. Enclosed in **Appendix 1** is an update on the progress undertaken by the Internal Audit Section in completing the review projects within the Annual Audit Plan. It should be noted as this is the start of the financial year, limited progress has been made. However, additional follow up reviews to evidence the implementation of recommendations for audits previously completed for Building Services Stores,

Domestic Refuse Collection, Moray Integrated Community Stores and Pool Cars Scheme have now been added to the Annual Audit Plan.

- 4.2 Further to a Special Meeting of the Moray Council on 28 February 2024, it was agreed to reduce the Internal Audit Section staffing budget by replacing the Corporate Investigations Officer's post with a 0.5 full-time equivalent. This is in addition to deleting an additional Assistant Auditor post in 2022/23. Current internal audit staffing resources are less than those of comparable local authorities, which senior management accepted in approving the previously detailed Assistant Auditor post. There has been no increase in staff resources of the Internal Audit Section for over 20 years, despite the statutory compliance needs with the introduction of the Public Sector Internal Audit Standards (PSIAS) and a requirement for providing additional auditing service to the Moray Integration Joint Board and Moray Growth Deal. In accordance with a core principle of PSIAS, compliance requires that the Internal Audit Service is "adequately resourced". In addition, members, in accordance with the CIPFA Audit Committees: Practical Guidance for Local Authorities and Police 2022 Edition, have a responsibility to assess the "effectiveness of internal audit arrangements".
- 4.3 As your Audit and Risk Manager, and my requirement to be "objective and free from undue influence", I am highlighting my serious concerns about whether the existing resources of the Internal Audit Section are sufficient to meet the Council and partner organisations auditing requirements and to support effective counter fraud and corruption arrangements. However, further to the additional funding secured, which has included a commitment to meet the auditing requirements of the Levelling Up Fund Bid and the remaining budget from the reduction of the Corporate Investigations Officer post, it has provided a sufficient budget to seek the appointment of a full time Assistant Auditor. Despite the Special Meeting of the Moray Council on 28 February 2024 resulting in a reduction in internal audit resources, I hope that appointing an Assistant Auditor can mitigate the risks associated with a reduction in staff resources while still maintaining the delivery of an effective internal audit service. However, Members should be aware that my serious concerns remain regarding the available staff resources to meet the auditing requirements of the Council and partner organisations.

Follow Up Reviews

- 4.4 Internal Audit reports are regularly presented to Members detailing not only findings but also the responses by management to the recommendations with agreed dates of implementation. Internal Audit will also undertake follow up reviews to evidence the effective implementation of these recommendations. Please see detailed the following completed follow up reviews:

Transformation Programme

- 4.5 An audit was undertaken to review the Council's Improvement and Modernisation Programme. The Council established an Improvement and Modernisation Programme (IMP) in 2018 to bring transformational change, deliver savings, and provide the basis for a medium to long term financial plan to support financial sustainability in the delivery of services to communities. The management and delivery of projects to provide service improvements are undertaken through a framework detailed within the Project Management Governance Policy. The audit included a review of the governance arrangements around the management, monitoring and reporting arrangements

of the IMP, and a check that strategic projects contained within the IMP are administered in accordance with the Project Management Governance Policy. I am therefore pleased to report all recommendations have been implemented. However, I do note that the Depute Chief Executive (Education, Communities & Organisational Development) has highlighted that a more substantive review of the corporate management of transformation and change arrangements is being considered by the Corporate/Senior Management Team. The Follow Up Report to review the implementation of the agreed recommendations is given in **Appendix 2**.

Data Protection

- 4.6 A review was undertaken to ensure the Council's compliance with the Data Protection Act 2018. The audit sought evidence to check awareness throughout the Council with comprehensive training programmes and effective oversight and governance arrangements to monitor ongoing compliance with the Data Protection Act. Findings from the follow up review noted that several recommendations remain outstanding. The Information Governance Service, while implementing the recommendations, found that the volume of work required, in addition to other information management compliance requirements, was significantly greater than initially envisaged. Due to the multi-year timescale of implementing some of the recommendations, it is intended to include the review of review of Data Protection Act in a future audit plan rather than undertaking another follow up review. The Follow Up Report is given in **Appendix 3**.

Information Management

- 4.7 This audit compliments the previous review undertaken regarding the Council's compliance with the Data Protection Regulation. The scope of this Information Management audit was to ensure that an appropriate system exists in the management, security and transfer of data between the Council and care providers, including NHS Grampian. Controls in this area are particularly important due to the sensitive nature of much of the information. Findings from the follow up review noted that a number of the recommendations remain outstanding. Implementation of these recommendations is linked to the previous audit, which also highlighted a number of related information management improvements. Due to the volume of work required, there is a need for a multi-year timescale to implement some of the recommendations. It is therefore intended to include a review of Information Management within a future audit plan. The Follow Up Report is given in **Appendix 4**.

Roads Maintenance - Planned

- 4.8 There has been a delay in completing this follow up review. This is a particularly technical area, and staffing issues in both the Roads Maintenance and Accountancy Sections have delayed implementing the recommendations within the previously agreed timescales. The annual Roads Maintenance Capital Plan budget is approximately £4.3 million. This includes planned projects for resurfacing, surface dressing programme, footway and drainage works. The audit undertook an overview of the capital plan and selected individual projects where more detailed audit checks were undertaken. Testing involved a review of the contract management arrangements and how individual schemes are costed, agreed and monitored. A number of recommendations were made and accepted by the Service however, implementing the recommendations requires significant staffing resources, including the support of the Accountancy Section. As the

staffing arrangements of both the Roads Maintenance and the Accountancy Sections have now improved, the Follow Up Report detailing the revised dates for implementing the recommendations is given in **Appendix 5**.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

Internal audit work supports good governance and the delivery of efficient services.

(b) Policy and Legal

No implications directly arising from this report.

(c) Financial Implications

No implications directly arising from this report.

(d) Risk Implications

The independent review of selected systems and procedures mitigates the risk associated with inadequate or ineffective control procedures.

(e) Staffing Implications

No implications directly arising from this report.

(f) Property

No implications directly arising from this report.

(g) Equalities/Socio Economic Impact

No implications directly arising from this report.

(h) Climate Change and Biodiversity Impacts

No implications.

(i) Consultations

There have been no direct consultations during the preparation of this report.

6. CONCLUSION

6.1 This report provides committee with an update on internal audit work progressed in the latest review period.

Author of Report: Dafydd Lewis Audit and Risk Manager
Background Papers: Internal Audit files
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