



**INTERNAL AUDIT**

**ANNUAL REPORT and OPINION**

**1 APRIL 2021 to 31 MARCH 2022**

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## **SECTION 1 – INTRODUCTION**

### **Purpose of this report**

Public Sector Internal Audit Standards (PSIAS) requires that the Chief Internal Auditor provide a written statement to inform the Annual Governance Statement. This report constitutes the required statement. As required by PSIAS, this report presents the opinion on the overall adequacy and effectiveness of the Moray Integration Joint Board (MIJB) risk management, control and governance processes based on the work Internal Audit has performed. In addition, my evaluation will also include an assessment of reports issued by other review agencies. The scope of Internal Audit work, the responsibilities of Internal Audit and the assurance given on the adequacy and effectiveness of the Internal Control System of the MIJB are explained further in Section 4 of this report.

### **Responsibilities of Management and Internal Audit**

It is management's responsibility to maintain systems of risk management, internal control and governance. Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.

Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review. The responsibility for providing the Internal Audit Service to the MIJB is by the Moray Council's Internal Audit Section. However reliance is also obtained from the Internal Audit Service Provider for NHS Grampian to support the annual internal opinion on the MIJB's internal control environment

Public Sector Internal Audit Standards (PSIAS) require officers of the Internal Audit Section to communicate on a timely basis all facts and matters that may have a bearing on their independence. I can confirm that all staff members involved in 2021/22 internal audit reviews were independent of operational processes and their objectivity was not compromised in any way.

## **SECTION 2 –BASIS OF OPINION**

My evaluation on the adequacy and effectiveness of the MIJB framework of governance, risk management and internal control is based on the following;

- The audit work undertaken by Internal Audit during the year to 31 March 2022.
- The governance statement signed by the Chief Officer of the MIJB for the year ended 31 March 2022.
- Reports issued by the MIJB's External Auditor, Audit Scotland, and other external review agencies.
- My knowledge of the MIJB's governance, risk management and performance monitoring arrangements.

Assurance is also based on the wider audit work conducted by the Chief Internal Auditor in his capacity as the Audit and Risk Manager of the Moray Council and from an annual internal audit report prepared for Grampian Health Board providing an opinion on the adequacy and effectiveness of its system of internal control.

## **SECTION 3- SUMMARY AND LIMITATIONS OF WORK THAT SUPPORTS THE OPINION**

### **Progress on the 2021/22 internal Audit Plan**

Internal Audit operates independently within the organisation. While there may have been limitations in the scope of the audit due to the pandemic, there have been no limitations imposed by management on the scope of audit work performed. The Annual Audit Plan presented to the Audit, Performance and Risk Committee describes in some detail the framework around which audit work is developed. In addition, the selection of audit topics was selected having regard to corporate planning documents, budget data and information drawn from the corporate risk register, and takes into account input from senior management regarding possible areas for audit.

The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit Annual Audit Plan.

A summary of the audit projects from MIJB Audit Plan is summarised as follows:

- An audit was undertaken into the financial monitoring arrangements within the Self Directed Support Team for direct payments made to service users. The audit has checked for effective procedures in the monitoring of funds issued to service users. This involved the random selection of a sample of care packages and a check made to ensure compliance with operating procedures, expenditure incurred by the service users are in accordance with the agreed budget and support plans and surplus funds are recovered from service users where appropriate.
- The audit found several areas where further improvements are required to current operating arrangements with a need to review all service user care packages to recover any excess funds. It is appreciated that staff resources have been diverted to support Covid related activities and the focus has been on supporting direct payment recipients, employers and personal assistants to ensure essential care has continued to be delivered.
- An audit was undertaken into how Health and Social Care Officers manage income held for individuals under Corporate Appointeeship Arrangements. Where an individual is assessed as requiring assistance in the financial management of benefits received, an application can be made to the Department for Work and Pensions (DWP) in order for Social Work Officers to become the 'Corporate Appointee' and have legal authority for administering this income.
- The audit involved a review of the procedures undertaken by the Community Care Finance Team into how they manage client funds held within the corporate bank account. In addition, a sample of individuals was also selected, and a check was made on how officers appointed as the named 'Corporate Appointee' manages and support individuals to access and use their funds appropriately. The audit found that overall, the service was being administered well, but findings were noted, including a need to review cash handling procedures, further management overview of the corporate bank account reconciliation process.
- A review has also been undertaken of creditor payments made within 2021/22. The use of an audit software interrogation system called IDEA was used to randomly select a sample of payments to check. The purpose of the audit was to confirm ongoing compliance with procurement and payment processing regulations. A check was also made for duplicate payments by extracting listings where more than one invoice from a single supplier has been paid for the same amount. From the sample checked, no issues were noted for reporting.
- The impact of the pandemic has affected the Internal Audit Service in that officers have been working from home with a need to change established working practices and make greater use of audio, video and screen sharing software applications. These changes in working practices have brought challenges, however the implementation of an Internal Audit Software Application has assisted to ensure consistent working practices with the ability to review working papers online. The Service has also had several staff vacancies during the year. However, moving forward all positions have now been filled.

Unfortunately, due to the limitations detailed and an unplanned audit project it has not been possible to complete a review of the Moray Council's arrangements to safeguard systems and services from a Cyber Security attack. Due to the importance of this topic, it has also been included within the Moray Council's Audit Plan for 2022/23.

**Governance** - from a review of the annual governance statement prepared for inclusion with the MIJB accounts, it was noted that the statement had been prepared in line with good practice guidance issued by CIPFA / SOLACE. The statement included an assessment of the effectiveness of governance arrangements within the MIJB in terms of the seven principles of good governance identified within the guidance. It also referenced the governance processes of the principal partner bodies (NHS Grampian and Moray Council) as sources of additional assurance. Delivery of services has continued in addition to meeting the significant challenges from the current pandemic.

A review of the annual report from the Moray Council's Chief Social Work Officer noted a number of governance arrangements in place to ensure effective service delivery. The quality of social work services is assured by Practice Governance meetings. Any issues are reported to the Clinical & Care Governance Committee of the MIJB for adults. Posts of Consultant Social Work Practitioner are well established in adult services and also now in children's services. Consultants work with line managers to support social work in complex cases, model best practices and set practice standards in their respective areas. Consultants also undertake practice audits in Adult Social Work.

A report to the Audit, Performance and Risk Committee on the 31st of March detailed the outcome of a review of the Health and Social Care Moray Commissioning Service into how social care contracts are currently managed. This was a "peer" review led by the Strategic Procurement Manager (Social Care) of Aberdeen City and Aberdeenshire Councils. The report has highlighted a number of significant concerns about how social care contracts are managed. The Audit, Performance and Risk Committee have agreed for an external organisation to undertake a review of the Commissioning Service. As the Chief Internal Auditor, I am concerned and will closely monitor progress regarding this issue.

**Risk Management** - procedures are well developed with a risk management policy and strategy in place, a risk appetite statement has been developed and a risk register reviewed and updated at regular intervals. The recently updated Risk Register summarises the principal risks facing the organisation under nine themes; these themes focus on critical risk areas including finance, environment and operational continuity, together with transformation risks associated with change, and infrastructure risks given the reliance of the IJB on support from both the Council and the NHS.

### **Statement on Conformance with the Public Sector Internal Audit Standards**

The Local Authority Accounts (Scotland) Regulations 2014 require public bodies to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing, the Public Sector Internal Audit Standards

The Scottish Local Authorities Chief Internal Auditors' Group, comprising the audit managers or equivalent of all Scottish Councils, has developed a checklist for assessing conformance with the Standards. This supports the requirement for self-assessments and external assessments as part of Internal Audit's Quality Assurance and Improvement Programme. Internal monitoring of performance against the Standards will continue on an ongoing basis until the next External Quality Assessment, scheduled for 2023 is completed. However, a more structured quality self-assessment is planned to highlight any issues arising from changing working practices and service delivery due to the pandemic.

## SECTION 4 – OPINION

Any system of control can only ever provide reasonable and not absolute assurances that control weaknesses or irregularities do not exist or that there is no risk of error, fraud, or breaches of laws or regulations. Furthermore, it is the responsibility of management to establish an appropriate and sound system of internal control and monitor the effectiveness of that system. It is the responsibility of the Chief Internal Auditor to provide an annual assessment of the robustness of the internal control system.

The provision of this annual assessment and opinion has had regard to the consequences of the pandemic relative to service disruption and disruption to the Internal Audit Section from staff vacancies and officers working from home. The effect of these impacts was to reduce the outputs of the Internal Audit Section, although setting this in context, any restrictions applying were not considered material in terms of affecting the audit opinion when assessed alongside governance practices referenced throughout this report and the controls assurances provided separately by NHS Grampian and Moray Council. (Assurance was obtained in the interim form at the time of drafting this report from the Internal Audit Provider of Grampian NHS).

After consideration to the results of the work carried out by Internal Audit, taken together with other sources of assurance, with specific reference to the peer review into how the Commissioning Service manages social care contracts; it is my opinion that I can only provide limited assurance that the Moray Integration Joint Board has adequate systems of governance and internal control.

Dafydd Lewis  
Chief Internal Auditor  
26 May 2022