
To: Renfrewshire Health and Social Care Audit Committee

On: 28 June 2019

Report by: Chief Internal Auditor

Heading: Internal Audit Annual Report 2018/2019

1. Summary

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires that the Chief Internal Auditor must deliver an annual internal audit opinion, on the overall adequacy and effectiveness of the internal control environment; that can be used by the organisation to inform its governance statement. The purpose of this report is to advise the Audit Committee of the Chief Internal Auditor's Internal Audit Annual Report and the annual internal audit opinion.
- 1.2 The Internal Audit Annual Report outlines the internal audit work we have carried out for the year ended 31 March 2019. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.3 The report attached, at Appendix 1, includes the Chief Internal Auditor's independent and objective opinion as to the adequacy and effectiveness of the internal control environment. In forming the opinion, the Chief Internal Auditor has conducted a review of the Internal Audit reports issued to the IJB in the year and the internal audit annual reports from the partner organisations.

2. Recommendations

- 2.1 That the Audit Committee notes the content of the IJB's Internal Audit Annual Report for 2018/2019.
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Implications of the Report

- 1. **Financial** - none
- 2. **HR & Organisational Development** - none.

3. **Community Planning** - none.
 4. **Legal** - none.
 5. **Property/Assets** - none.
 6. **Information Technology** - none.
 7. **Equality & Human Rights** - none
 8. **Health & Safety** - none.
 9. **Procurement** - none.
 10. **Risk** - The report provides an opinion on the overall internal control environment including governance and risk management of the Integration Joint Board.
 11. **Privacy Impact** - none.
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List of Background Papers – none.

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Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report 2018-2019

June 2019

Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report 2018/2019

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Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report

1 April 2018 – 31 March 2019

1. Introduction

- 1.1 Renfrewshire Council provides an internal audit service to the Renfrewshire Health and Social Care Integration Joint Board (IJB). This includes:
- The compilation of an annual audit plan following consideration and evaluation of those areas of greatest risk in the organisation's operation, and consultation with the Chief Officer;
 - Delivery of the planned audit assignments;
 - Follow up of previous audit recommendations;
 - Provision of any ongoing advice support and training on audit and risk related matters;
 - Provision of an Annual Report and Assurance Statement to the IJB Audit Committee.
- 1.2 The Service operates in accordance with the Public Sector Internal Audit Standards which defines Internal Audit's role as:
- ".....an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."
- 1.3 In line with the Standards, the purpose of this Annual Report is to report on:
- The outcome of the planned Internal Audit reviews 2018/19 relating to the IJB;
 - The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
 - Internal audit performance;
 - Planned audit work for 2019/20;
 - The annual assurance statement which provides an opinion on the overall adequacy and effectiveness of the IJB's internal control environment.
- 1.4 The operational delivery of services within the Health Board and Local Authority on behalf of the Integration Joint Board will be covered by their respective internal audit arrangements. In concluding on the overall opinion, the Chief Internal Auditor has conducted a review of the Internal Audit reports issued to the IJB in the year and the internal audit annual reports from Renfrewshire Council and NHS Greater Glasgow and Clyde.

2. Responsibilities of Management and Internal Audit

- 2.1 It is the responsibility of management to ensure that the areas under their control are adequate and effective and that there is a sound system of internal control which facilitates the effective exercise of the organisation's functions and which includes arrangements for the management of risk.
- 2.2 Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. Internal Audit's role is to independently assess the adequacy of the risk management, internal controls and governance arrangements put in place by management and to undertake sufficient work to evaluate and conclude on the adequacy of those controls for the period under review.

3. Internal Audit Activity during 2018/2019

- 3.1 The Internal Audit Plan for the IJB for 2018/2019 provided for a review focused on governance arrangements and the annual review of the adequacy and compliance with the Local Code of Corporate Governance.
- 3.2 Appendix 1 details the assurances arising from the internal audit work carried out in line with the 2018/19 audit plan and relevant engagements undertaken by the partner internal audit functions. These completed engagements have been reported to the Audit Committee throughout the year and support the annual assurance statement.
- 3.3 The Annual Report for 2017/2018 was submitted to the IJB Audit Committee on 29 June 2018.
- 3.4 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2018/19, 6 recommendations were followed up and confirmed as implemented.

4. Review of Internal Audit Performance

- 4.1 Internal Audit produces regular reports on its performance during the year to Renfrewshire Council's Audit, Risk and Scrutiny Board, against a range of measures set annually by Renfrewshire Council's Director of Finance and Resources. These targets are set for all internal audit engagements and include Renfrewshire Council and other associated bodies, for which the team provides internal audit services. Table 1 shows the actual performance against targeted performance for the year.

Table 1

Internal Audit Performance 2018/19

Performance measure	Target 2018/19	Actual 2018/19
% of audit assignments completed by target date	95%	98.8%
% of audit assignments completed within time budget	95%	96.4%
% completion of audit plan for the year*	95%	95.6%

* this measures the completion percentage as at 31 March. 100% of the plan is ultimately delivered through the finalisation of the outstanding elements in the new financial year.

4.2 Actual performance for the year, is above the target performance level. All IJB specific audit engagements have now been completed.

4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit including conformance with the PSIAS. All actions arising from the external quality assessment have been completed during 2018/19.

4.4 External Audit

External Audit's review of the internal audit service concluded that overall the service operates in accordance with the PSIAS.

5. Planned Work for 2019/20

5.1 Following a risk-based assessment of the activities of the IJB and consultation with the Chief Officer and Chief Financial Officer, the Internal Audit Plan for 2019/2020 provides for 35 days of Internal Audit resource to undertake:

- A review of the arrangements in place for the integration of specific services; and
- The annual review of the adequacy and effectiveness of the Local Code of Corporate Governance.

The plan also provides time for planning and reporting, follow up on previous recommendations, ad-hoc advice and consultancy. The Internal Audit Plan for 2019/2020 was approved by the IJB on 25 January 2019.

6. Audit Assurance Statement

- 6.1 The audit work performed in relation to the 2018/19 internal audit plan has been reported to the Chief Officer. Relevant audit work undertaken by partner organisations has been reported to the Audit Committee. Where areas for improvement in internal control have been identified appropriate recommendations have been made, and accepted for action by management.
- 6.2 Some matters have been identified in relation to the internal control, risk management and governance arrangements within the partner organisations and these have been recommended by the respective Chief Internal Auditors for inclusion in the partner governance statements. There are no significant matters arising in relation to those audit engagements specific to the IJB.
- 6.3 It is not feasible for the system of internal control to be without any weakness. It is important to balance the risks involved in accepting systems limitations with the consequences if a problem emerges. Internal Audit recognises this and assesses this in its reporting mechanism.
- 6.4 In this context, it is considered that a reasonable level of assurance can be placed upon the adequacy and effectiveness of the IJB's internal control, risk management and governance arrangements, as evidenced by:-
- The results of the audit work in 2018/19 and the opinion's contained in the Internal Audit Annual Reports of the Health Board and the Local Authority.
 - Management self-assessment of internal control, risk management and governance arrangements.
 - Management action to respond to audit recommendations.

Signed

Chief Internal Auditor

Date

Appendix 1

Summary of Internal Audit Assurances for the IJB and partner organisations Renfrewshire Council and NHS Greater Glasgow and Clyde

Integration Joint Board		
Audit Engagement	Assurance Level	Significant Matters
Governance Arrangements	Reasonable	<ul style="list-style-type: none"> None
Local Code of Corporate Governance	Reasonable	<ul style="list-style-type: none"> None
Renfrewshire Council		
Audit Engagement	Assurance Level	Significant Matters
Payroll - Salary Sacrifice Schemes	Limited	<ul style="list-style-type: none"> The audit identified a lack of controls specifically in relation to suspense account reconciliations and processes when employees terminate their employment or leave salary sacrifice schemes.
Client Charges – Financial Accounting Arrangements	Substantial	<ul style="list-style-type: none"> None.
Energy Management	Reasonable	<ul style="list-style-type: none"> None
Payroll	Reasonable	<ul style="list-style-type: none"> The audit identified that reasonable procedures are in place for employee new starts and terminations. Appropriate segregation of duties and independent checks are in place. Some issues were identified in relation to service departments not notifying payroll services on time to effect correct payments to some employees, this issue is known to management.
GDPR	Substantial	<ul style="list-style-type: none"> None
Key Financial Controls	Reasonable	<ul style="list-style-type: none"> The audit identified that debtors and creditors invoices were raised correctly but were delayed in being issued/paid on some occasions. Recommendations were made in the report to address issues with feeders not being reconciled to the Business World ledger and suspense accounts not being cleared. If implemented, these will help strengthen the controls in place.
Members Expenses	Reasonable	<ul style="list-style-type: none"> None

Home Care – Contract Management	Substantial	<ul style="list-style-type: none"> None
NHS Greater Glasgow and Clyde		
Audit Engagement	Overall Audit Rating	Significant Matters
Outpatient Capacity Planning	Minor Improvement Required	<ul style="list-style-type: none"> None
Performance Reporting	Substantial Improvement Required	<ul style="list-style-type: none"> NHSGGC should develop a performance management framework that describes how performance against all corporate objectives will be measured and reported. NHSGGC should develop a fully integrated performance report for their Board summarising performance against each objective and all strategic KPIs. Where objectives are behind schedule, the report should clearly outline why, detail the mitigating actions being taken and confirm the revised implementation date.
Financial Systems Health Check	Minor Improvement Required	<ul style="list-style-type: none"> None
Financial Improvement Programme	Minor Improvement Required	<ul style="list-style-type: none"> None
Payroll	Substantial Improvement Required	<ul style="list-style-type: none"> From a sample of on-call supplements paid staff during financial year 2018/19, 4 instances were identified where they were paid a supplement rate in excess of the on-call duties outlined within their rotas. Some payments to bank staff were not approved and processed within the required timescales.
Hospital Standard Mortality Ratios	Minor Improvement Required	<ul style="list-style-type: none"> None
Review of Patient Results	N/A	<ul style="list-style-type: none"> None
Sickness Absence	Substantial Improvement Required	<ul style="list-style-type: none"> Sample testing identified inconsistent adherence to documented processes for managing employee absence. There was ineffective monitoring of recurring and long-term absences due to lack of formal guidance to staff. Staff make use of non-specific

		<p>absence cause codes, resulting in poor quality data for the purposes of absence monitoring and trend analysis.</p> <ul style="list-style-type: none"> • There was a lack of engagement with iMatter, meaning issues contributing to absences are not identified and addressed as a means of lowering sickness absence rates. • HR initiatives aimed at promoting attendance are not consistently planned and monitored as a means of ensuring their successful and effective implementation.
Other Leave	Minor Improvement Required	<ul style="list-style-type: none"> • None
Nurse Rostering	Minor Improvement Required	<ul style="list-style-type: none"> • Sample testing of the quarterly reviews of ward/area rosters were not consistently carried out, in line with the requirements of the Nursing and Midwifery Rostering Policy.
GDPR Compliance	Minor Improvement Required	<ul style="list-style-type: none"> • The Information Governance Steering Group and the Audit and Risk Committee may not have adequate and sufficient assurance that NHSGCC is GDPR compliant at a local level
Digital Strategy	Minor Improvement Required	<ul style="list-style-type: none"> • None
Information Sharing	Minor Improvement Required	<ul style="list-style-type: none"> • None
Governance Statement Readiness	Effective	<ul style="list-style-type: none"> • None
Waiting Times Audit	Effective	<ul style="list-style-type: none"> • None
Property Transactions Monitoring	Minor Improvement Required	<ul style="list-style-type: none"> • None