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**To: Renfrewshire Health and Social Care Integration Joint Board Audit Committee**

**On: 29 June 2018**

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**Report by: Chief Internal Auditor**

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**Heading: Internal Audit Reporting Arrangements**

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## **1. Summary**

- 1.1 The Chief Internal Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of internal audit including conformance with the Public Sector Internal Audit Standards (PSIAS). It has been identified that there is an opportunity to improve and formalise the internal audit reporting arrangements to Joint Committee.
- 1.2 This report outlines the details and outcome of the Chief Internal Auditor's considerations in relation to the Joint Committee reporting arrangements for completed audit engagements and follow up work.
- 1.3 The report also highlights changes to the reporting of internal audit performance to the IJB.

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## **2. Recommendations**

- 2.1 Members are requested note the reporting arrangements put in place to communicate the results of Internal Audit work to the IJB Audit Committee.
  - 2.2 Members are requested to note that updates on progress with the IJB audit plan will be provided to each meeting of the Audit Committee and that overall performance of the Internal Audit function will be reported and monitored quarterly by Renfrewshire Council's Audit, Risk and Scrutiny Board.
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### **3. Background**

#### **3.1 Communicating the results of audit engagements**

- 3.1.1 The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and has been issued by CIPFA, who set the internal auditing standards for UK Local Authorities. The Chief Auditor has a professional duty under the PSIAS to report the results of engagements to senior management and the Board, although the PSIAS does not prescribe any specific format that should be adopted for reporting.
- 3.1.2 Members of the Audit Committee need to be provided with enough information to allow them to understand any significant risk exposures to the IJB's internal control environment identified through the work of Internal Audit.
- 3.1.3 The CIPFA "Audit Committees, Practical Guidance for Local Authorities" publication, defines that role as "reviewing the work carried out will include formal consideration of summaries of work done, key findings, issues of concern and action in hand as a result of audit work."
- 3.1.4 Currently, the Chief Internal Auditor reports summaries of all finalised audit engagements specific to the IJB along with those relating to adult services and completed engagements for Renfrewshire Council which are of interest or support the objectives of the IJB. NHS GGC provide the Chief Internal Auditor with summaries of audit engagements completed for the NHS Board. A report is provided to each IJB Audit Committee detailing summaries of all relevant internal audit work completed for the IJB and the partner organisations.
- 3.1.5 The Chief Internal Auditor is satisfied that the current reporting arrangements meet with the requirements of the PSIAS and Audit Committee best practice guidance.
- 3.1.6 The Chief Internal Auditor would still need to preserve the confidentiality of the information in cases where it may breach legislation or where the risk of the weakness being exploited be of such significance that she would seek to have the report heard in private, to protect the IJB's interests.

#### **3.2 Monitoring the progress of management actions**

- 3.2.1 The PSIAS places the responsibility for monitoring progress with the Chief Internal Auditor to ensure that management actions have been effectively implemented, or, if not, that senior management have accepted the risk of not taking action.
- 3.2.2 The Chief Auditor must implement a follow-up process for ensuring the effective implementation of audit results or ensuring senior management are aware of the consequences of not implementing an action point and are prepared to accept the risk of such consequences occurring. The results of this process should be communicated to the Audit Committee.

- 3.2.3 There is also a requirement for the Chief Internal Auditor to develop escalation procedures for cases where agreed actions have not been effectively implemented by the date agreed. These procedures should ensure that the risks of not taking action have been understood and accepted at a sufficiently senior management level. The effective involvement of the Audit Committee in the follow-up process is critical to ensuring that it works.
- 3.2.4 Internal Audit undertakes an annual follow up exercise. The focus of each annual follow up exercise can vary depending on the audit resources available. All critical recommendations followed up must be supported by evidence to demonstrate that they have been implemented.
- 3.2.5 The outcome of the annual follow up exercise is communicated to the Chief Officer with details of all partially implemented, redundant and outstanding recommendations. The Chief Internal Auditor currently reports, the number of recommendations followed up, and the current status of those recommendations in the Internal Audit Annual Report.
- 3.2.6 It is the Chief Internal Auditor's opinion that there is an opportunity to enhance the escalation procedures for cases where agreed actions have not been effectively implemented by the date agreed. The Chief Internal Auditor will report details of outstanding critical recommendations to the Audit Committee on conclusion of the annual follow up exercise.
- 3.2.7 It is our intention to develop the audit management system to facilitate 'self-service' in relation to updates on the progress of implementing recommendations. This development would facilitate more regular reporting of outstanding actions in the future.

### **3.3 Communicating the acceptance of risks**

- 3.3.1 The PSIAS places certain professional obligations on the Chief Internal Auditor to report to the Board, when in the Chief Auditor's opinion, management have accepted an unacceptable level of risk. The PSIAS states, "when the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board."
- 3.3.2 Instances where the Chief Internal Auditor and senior management are unable to reach an agreement on actions to mitigate a significant risk to an acceptable level are rare. However, should such an instance arise the Chief Internal Auditor will bring a report outlining the risk exposure to the Audit Committee.

### **3.4 Performance Reporting**

- 3.4.1 Currently, Internal Audit produces regular reports on its performance during the year to the IJB Audit Committee and 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.

- 3.4.2 The IJB Audit Committee Terms of Reference and Procedural Standing Orders state that part of the remit for the Audit Committee is “overseeing the independence, objectivity, performance and professionalism of internal audit as far as it relates to those services delegated to the Integration Joint Board”.
- 3.4.3 As the Internal Audit function is provided under a service level agreement with the IJB, there are no performance targets which are specific to those services delegated to the IJB. To ensure continued compliance with the PSIAS, the Chief Internal Auditor will report to each Audit Committee progress against those planned engagements in the IJB audit plan. Overall, performance of the internal audit function in relation to the targets set by the Director of Finance and Resources will continue to be reported quarterly to Renfrewshire Council’s Audit, Risk and Scrutiny Board and will be reported to the IJB in the internal audit annual report.

#### **4. Conclusion**

- 4.1 The Chief Internal Auditor is satisfied that these enhanced reporting arrangements fully supports the Audit Committee in their role, complies with the PSIAS and meets the best practice standard as set out in the CIPFA “Audit Committees, Practical Guidance for Local Authorities” publication.

**For further information please contact Andrea McMahon on 0141-618-7017**

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