

Notice of Meeting and Agenda Renfrewshire Health and Social Care Integration Joint Board Audit Committee

Date	Time	Venue
Friday, 03 February 2017	11:30	Abercorn Conference Centre, Renfrew Road, Paisley, PA3 4DR

KENNETH GRAHAM
Clerk

To Follow Item

I refer to the agenda for the meeting of the Integration Joint Board Audit Committee to be held on 3 February 2017 at 11.30 am and enclose the undernoted reports relative to item 3 - Internal Audit Progress and Performance to 31 December 2016 and item 4 - Annual Internal Audit Plan 2017/18 which were marked 'not available - copy to follow'.

Additional Item

Also enclosed is an additional report in relation to Audit Scotland's Annual Audit Plan 2016/17 which was not included in the notice calling the meeting and which the Chair has agreed be considered as an urgent item of business.

Items of business

- | | | |
|----------|--|----------------|
| 3 | Internal Audit Progress and Performance to 31 December 2016 | 3 - 6 |
| | Report by Chief Internal Auditor. | |
| 4 | Annual Internal Audit Plan 2017/18 | 7 - 12 |
| | Report by Chief Internal Auditor. | |
| 6 | Audit Scotland Annual Audit Plan 2016/17 | 13 - 28 |
| | Report by Chief Finance Officer. | |

To: Renfrewshire Integration Joint Board

On: 03 February 2017

Report by: Chief Internal Auditor

Heading: Internal Audit Progress and Performance to 31 December 2016

1. Summary

- 1.1 A risk based Internal Audit Plan for 2016/17 was approved by the Integration Joint Board on 18 March 2016. This report provides the Renfrewshire Integration Joint Board's Audit Committee with an update on the progress of that Audit Plan.
 - 1.2 The Renfrewshire Health and Social Care Integration Joint Board directs both Renfrewshire Council and NHS Greater Glasgow and Clyde to deliver services that enable the Renfrewshire Integration Joint Board to deliver on its strategic plan.
 - 1.3 Both Renfrewshire Council and NHS Greater Glasgow and Clyde have Internal Audit functions that conduct audits across each organisation and report the findings of these to the respective audit committees.
 - 1.4 Members of the Integration Joint Board have an interest in the outcomes of audits at both Renfrewshire Council and NHS Greater Glasgow and Clyde that have an impact upon the Integration Joint Board's ability to deliver the strategic plan.
 - 1.5 This report also provides a summary to the Renfrewshire Integration Joint Board's Audit Committee of the Internal Audit activity at these organisations from 1 April 2016 to 30 December 2016.
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2. Recommendations

- 2.1 That the Integration Joint Board Audit Committee are asked to note the content of the report.
-

3. Progress on the IJB Audit Plan 2016/17

- 3.1 The Internal Audit Plan for 2016/17 provided for 35 days of internal audit resource, including assurance work, planning and reporting and time for ad-hoc advice. At 31 December 2016, total resources of 8.25 days have been delivered.
- 3.2 Planned reviews of the performance management framework in place to monitor progress of the strategic plan outcomes and the arrangements for monitoring the financial plan and managing the financial risks are currently on-going.

4. Renfrewshire Council Internal Audit Activity

- 4.1 In the period to 31 December 2016, the following Internal Audit reports have been issued to the Council, which are relevant to the Integration Joint Board.

Audit Engagement	Assurance Level (note 1)	Number and Priority of Recommendations (note 2)			
		A	B	C	I
Self Directed Support	Limited		5	1	
Employee Code of Conduct	Reasonable		3	1	1
Workforce Planning	Reasonable		1		
Financial Authorisation	Reasonable		4	4	1
Debt Management	Reasonable	1	4	4	2
Procurement / Creditors (Corporate Purchase Cards)	Reasonable	2	8	2	

Note 1 – For each audit engagement one of four assurance ratings is expressed:

Substantial Assurance – The control environment is satisfactory

Reasonable Assurance – Weaknesses have been identified, which are not critical to the overall operation of the area reviewed

Limited Assurance – Weaknesses have been identified, which impact on the overall operation of the area reviewed

No Assurance – Significant weaknesses have been identified, which critically impact on the operation of the area reviewed

Note 2 – Each audit recommendation is assigned a priority rating:

A = Critical Recommendation - Addresses a significant risk, impacting on the area under review

B = Important Recommendation – Implementation will raise the level of assurance provided by the control system to acceptable levels

C = Good Practice Recommendation – Implementation will contribute to the general effectiveness of control

I = Service Improvement – Implementation will improve the efficiency / housekeeping of the area under review

- 4.2 In relation to the review of self directed support which has been rated as a limited level of assurance. At the time of the review, the key risks related to the timeliness of annual financial assessments and financial reviews. Both were found to be significantly behind schedule. Management has agreed to implement the recommendations made.

5. NHS Greater Glasgow and Clyde Internal Audit Activity

- 5.1 In the period to 31 December 2016, the following Internal Audit reports have been issued to the NHS Grater Glasgow and Clyde, which are relevant to the Integration Joint Board.

Audit Review	Opinion (Note 3)	Number and Priority of Recommendations		
		High	Medium	Low
Risk Management Arrangements	Medium risk	-	3	1
Clinical Governance	High risk	-	6	1
Delayed Discharge: Use of additional funding	Low risk	-	2	-
Health & Social Care Partnerships: Governance Arrangements	Low risk	-	-	4
Waiting Times / TTG	High Risk	1	2	-
Key Financial Controls – Payroll	Medium Risk		3	2
Key Financial Controls - Accounts Payable	Low Risk		-	2
Key Financial Controls - General Ledger	Low Risk		-	1
Performance Monitoring and Reporting in	Low Risk		2	-

Acute Services				
Complaints Handling Procedures	Low Risk		1	3

Note 3

High risk indicates findings that could have a significant:
impact on operational performance; or
monetary or financial statement impact or
breach in laws and regulations resulting in significant fines and consequences; or
impact on the reputation or brand of the organisation.

Medium risk indicates findings that could have a moderate:
impact on operational performance; or
monetary or financial statement impact; or
breach in laws and regulations resulting in fines and consequences; or
impact on the reputation or brand of the organisation.

Low risk indicates findings that could have a minor:
impact on the organisation's operational performance; or
monetary or financial statement impact; or
breach in laws and regulations with limited consequences; or
impact on the reputation of the organisation.

- 5.1.1 Risk Management Arrangements** – There have been a number of initiatives undertaken by NHSGGC to address the recommendations made in the previous audit report on Risk Management. However, medium risk issues were identified that are limiting the effectiveness of the actions taken to date: non-attendance at the Risk Management Steering Group of key stakeholders from Acute services; the absence of a clear plan to fully roll out Datix in all NHSGGC areas; and the absence of training or communication plans to support the revised RM Strategy and Policy.
- 5.1.2 Clinical Governance** - This was a follow up review following a report in May 2015 on Clinical Governance. The internal auditors found that progress against Phase 1 of each action was near completion. They also noted continuance of good practice during the review of clinical governance arrangements within Acute Services Division. However, the implementation of four original medium risk actions remain ongoing. The actions relate to: (i) procedural/guidance documents, (ii) divisional level governance groups, (iii) child protection reporting and (iv) recommendations from an enquiry including knowledge sharing arrangements. In addition two new medium risk findings were also identified relating to improvements to the clinical risk management framework; and an absence of assurance to NHSGGC of the steps to be taken by the IJBs to meet the statutory requirement to be operational by 1 April 2016.
- 5.1.3 Waiting Times** – The Internal Auditors found that NHSGGC works proactively and has very detailed, timely and granular information which is available to those who make the operational and management decisions to manage waiting and treatment times. However, as at August 2016 there is a continued deterioration in performance against targets. The main weakness identified by the Auditors was in respect of recovery plans which are required to address waiting list issues. Improvements were identified in relation to monitoring agreed actions arising from the previous internal audit report. Furthermore, while capacity planning is taking place, it was identified that there is no guidance provided as to how often capacity plans should be reviewed and revised.
- 5.1.4 Payroll** – The Internal Auditors identified that two medium risk findings remain open from their 2015/2016 Payroll review (i) Transfer of date from the Bank Staff Management System (BSMS) to the Scottish Standard Time System (SSTS), reliance is still placed on manual input of data to SSTS; (ii) Selection of staff in BSMS, staff are not booked to bank shifts using a unique identifier which presents the risk that the wrong staff member is paid. One additional medium risk was identified during the

review in relation to certain staff having the functionality to schedule and approve their own shift.

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 subject matter of this report is the progress of the risk based Audit Plan's for the IJB, and those reports relating to Renfrewshire Council and NHSGGC in which the IJB would have an interest.
 11. **Privacy Impact** - none.
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List of Background Papers – none.

Author: Andrea McMahon, Chief Internal Auditor

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

On: 03 February 2017

Report by: Chief Internal Auditor

Heading: Annual Internal Audit Plan 2017/18

1. Summary

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2017/18 has been developed and is detailed at Appendix 1 of this report.
 - 1.2 The plan sets out a resource requirement of 35 days, including assurance work, time for follow up of previous recommendations, ad-hoc advice and planning and reporting.
 - 1.3 The allocation of internal audit resources is sufficient to allow emerging priorities and provide adequate coverage of governance, risk management and internal control to inform the annual assurance statement.
 - 9.3 The plan may be subject to amendment during the course of the year due to the emergence of issues of greater priority, or other unforeseen circumstances. We will report changes to the Audit Committee.
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2. Recommendations

- 2.1 That the Board approves the Internal Audit Plan for 2017/18.
 - 2.2 That the Board notes that the Internal Audit Plan will be shared with the Local Authority and the Health Board.
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3. Background

- 3.1 It is the responsibility of the Integration Joint Board to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated

resources. At its meeting on 18 September 2015, the IJB appointed the Chief Auditor of Renfrewshire Council as the Chief Internal Auditor for the IJB.

- 3.2 The Integrated Resources Advisory Group (IRAG) guidance recommends that the Chief Internal Auditor should develop a risk based internal audit plan for the IJB. The IRAG guidance clarifies that the operational delivery of services within the Health Board and Local Authority on behalf of the IJB will be covered by their respective internal audit arrangements.
- 3.3 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2017/18 has been developed and is detailed at Appendix 1 of this report.
- 3.4 In order to ensure proper coverage, avoid duplication of effort and co-ordinate activities the Chief Internal Auditor is expected to share information with the Local Authority and Health Board. The Chief Internal Auditor meets regularly with the Health Board Auditor's to discuss areas of common interest.
- 3.5 In line with the requirements of the Integrated Resources Advisory Group professional guidance, the Chief Internal Auditor will report to the Chief Officer and the Integration Joint Board on the annual audit plan, delivery of the plan and recommendations made. The Chief Internal Auditor will also provide an annual internal audit report including the audit opinion.
- 3.6 For the purposes of reporting the annual opinion, reliance will be placed on the work of the NHSGGC auditors and other external providers of assurance and consulting services, including work undertaken by Renfrewshire Council's Internal Audit Service, in relation to reviews of operational activities within adult social care services.

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** - The recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's and NHS GC&C website.

8. Health & Safety - none.

9. Procurement - none.

10. Risk - The subject matter of this report is the risk based Audit Plan for 2017 – 2018.

11. Privacy Impact - none.

List of Background Papers – none.

Author: Andrea McMahon, Chief Internal Auditor

Annual Audit Plan – 2017/18 Renfrewshire Integrated Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Governance	23	<ul style="list-style-type: none"> • Compliance with the Integration Scheme • Conduct a follow up review of previous audit recommendations to ensure they have been implemented
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting & Training	6	The Chief Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the control environment of the IJB.
Contingency	Ad-hoc advice and Consultancy	6	Any relevant issues raised by NHSGGC and Renfrewshire Council in relation to the operational delivery of services.



To: Renfrewshire Integration Joint Board Audit Committee

On: 3 February 2017

Report by: Chief Finance Officer

Subject: Annual Audit Plan 2017-18

1. Summary

- 1.1 The Annual Audit Plan 2017-18 for Renfrewshire Integration Joint Board is submitted for Members' information. The Plan outlines Audit Scotland's planned audit activities for the financial year 2017-18.
 - 1.2 The Annual Audit Plan 2017-18 includes a section on Audit Issues and Risks. Within this section Audit Scotland have identified a risk of "Management override of controls". This risk is being included in the audit plans of all bodies which Audit Scotland are working with, in light of updated international standards on auditing. The inclusion of this risk is not a reflection of increased risk within Renfrewshire Integration Joint Board. Audit Scotland has confirmed that they have not found any issues on this in previous years.
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2. Recommendations

- 2.1 The Joint Board is asked to note the Annual Audit Plan 2017-18 by Audit Scotland.

Renfrewshire Integration Joint Board

Annual Audit Plan 2016/17

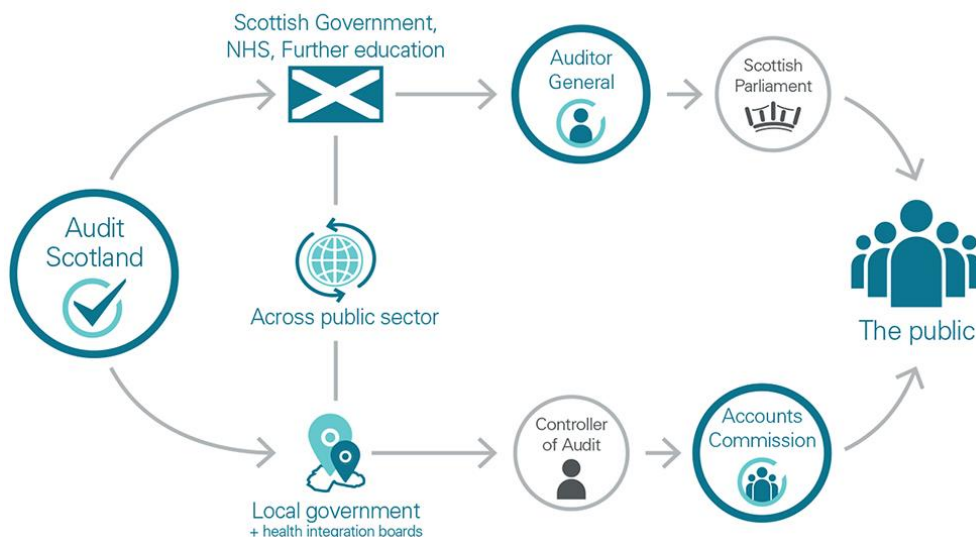


Prepared for Members of Renfrewshire Integration Joint Board
February 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Renfrewshire Integration Joint Board (Renfrewshire IJB). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
1 Risk of management override of controls ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Owing to the nature of this risk, assurances from management are not applicable.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.
2 Preparation of annual accounts The 2016/17 financial statements will be the first for the operational IJB and will be more complex than those produced in 2015/16. The Chief Finance Officer will be supported by Renfrewshire Council finance staff however it is still to be confirmed what level of support will be provided. There is a risk that the IJB does not have the relevant financial expertise to prepare timely, accurate and Code compliant annual accounts.	The Chief Finance Officers' Network is working with the Scottish Government, CIPFA and Audit Scotland to agree and adopt a standard annual accounts template. The Chief Finance Officer has committed to work closely with the IJB's external auditors in preparation of the 2016/17 accounts, taking on board their recommendations and advice. The Chief Finance Officer and Renfrewshire Council's	Ongoing planning with officers to ensure that the annual accounts are prepared and audited in sufficient time to allow the accounts to be approved in September. Review of compliance with accounting standards as part of financial statements audit.

Audit Risk	Management assurance	Planned audit work
	<p>Head of Corporate Finance will work closely to plan and prepare the 2016/17 accounts. They will meet regularly to monitor progress, to ensure accurate and Code compliant accounts are presented to the Integration Joint Board for approval at their meeting in June 2017.</p>	
Wider dimension risks		
<p>3 2016/17 budget and savings proposals</p> <p>The IJB's 2016/17 budget has not been approved. At the meeting on 25 November 2016, the Board rejected the 2016/17 savings proposals of £1.4m. If the savings proposals cannot be agreed NHS Greater Glasgow and Clyde and Renfrewshire Council will have to fund the shortfall. There is a risk that the IJB does not agree savings proposals for 2016/17 resulting in a need to utilise earmarked funds which may impact on service delivery.</p>	<p>At its meeting on 20 January 2017, the IJB agreed to identify the required 2016/17 savings as part of the 2017/18 budget planning process.</p> <p>The budget update for March 2017 and subsequent reports to the IJB will identify plans to achieve savings on a recurring basis and also address likely future savings challenges.</p> <p>The Chief Officer and Chief Finance Officer will work with IJB members and other professional leads to agree a comprehensive risk assessed approach to develop viable saving proposals which minimise impact on service users' outcomes.</p>	<p>Review of the IJB's progress in agreeing its budget and savings plans for 2016/17.</p> <p>Assess the success of the IJB in achieving the required savings.</p>
<p>4 Financial planning</p> <p>The IJB's 2017/18 budget is still being developed. The savings required for 2017/18 are more challenging than those required in 2016/17. There is high projected growth in demand and increased costs to fund the living wage, self directed support and home care. If recurring savings are not agreed for the 2016/17 financial year the challenge of meeting the savings gap will increase. There is a risk that delays in agreeing the 2017/18 budget will impact negatively on the financial management of the IJB and service delivery.</p>	<p>The timing of NHS financial planning and associated partnership budget contributions is a national issue. We continue to raise this through a number of forums both locally and nationally.</p> <p>See also the management assurance given for the risk above.</p>	<p>Review of the effectiveness of the IJB's financial plans.</p> <p>Review of the IJB's progress in agreeing a budget and savings proposals for 2017/18.</p>

Reporting arrangements

3. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

4. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

5. We will provide an independent auditor's report to Renfrewshire IJB and Accounts Commission summarising the results of the audit of the annual accounts. We will provide the Accountable Officer and Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Audit Committee (or equivalent) Date
Annual Audit Report including ISA 260 requirements	8 September 2017	21 September 2017
Signed Independent Auditor's Report	29 September 2017	21 September 2017

Audit fee

6. The proposed audit fee for the 2016/17 audit of Renfrewshire IJB is £17,400. In determining the audit fee we have taken account of the risk exposure of Renfrewshire IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 30 June 2017.

7. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

8. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

9. The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

10. Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

11. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

12. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Renfrewshire IJB and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Renfrewshire IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

13. We will give an opinion on the financial statements as to:

- whether they give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of the affairs of Renfrewshire IJB as at 31 March 2017 and of the income and expenditure of Renfrewshire IJB for the year then ended
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Renfrewshire IJB are set out in [Exhibit 3](#).



Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the budget for 2016/17.	£2.427 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of planning materiality.	£1.456 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been set at the maximum value permitted.	£0.100 million



15. We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issue identified will be reported to the Audit Committee.

Timetable

16. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Submission of consolidation pack to NHS Greater Glasgow and Clyde	31 May 2017
Consideration of unaudited financial statements by those charged with governance	29 June 2017
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Chief Finance Officer	Early September 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2017
Independent auditor's report signed	By 30 September 2017

Internal audit

17. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by the internal audit service of Renfrewshire Council.

Adequacy of Internal Audit

18. We carry out an annual assessment of the internal audit function to determine whether it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards. We will report the results of this review when completed.

Areas of reliance

19. In respect of our wider dimension audit responsibilities we plan to consider internal audit work including:

- Review of IJB Governance Arrangements.

Audit dimensions

20. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



21. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on Best Value.

Financial sustainability

22. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

23. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether Renfrewshire IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether Renfrewshire IJB can demonstrate the effectiveness of its budgetary control system in communicating accurate and timely financial performance
- how Renfrewshire IJB has assured itself that its financial capacity and skills are appropriate
- whether Renfrewshire IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

24. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether Renfrewshire IJB can demonstrate that governance, decision-making and scrutiny arrangements are effective
- whether Audit Committee and Board members and staff demonstrate high standards of behaviour and receive sufficient training and development
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

25. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether Renfrewshire IJB can provide evidence that it is demonstrating value for money in the use of its resources and achievement of outcomes.

Strategic plan for the five year appointment

26. As part of our responsibility to report on the audit dimensions over the current audit appointment we have identified the following areas of proposed audit work (this will be subject to annual review):

Exhibit 6 Strategic plan

Dimension	2016/17	2017/18	2018/19 to 2020/21
Financial sustainability	Financial planning		
Financial management		Financial governance and resource management	
Governance and transparency	Governance		
Value for money			Operational efficiency

Independence and objectivity

27. Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

28. The engagement lead for Renfrewshire IJB is David McConnell, Assistant Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Renfrewshire IJB.

Quality control

29. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

30. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

31. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision.

We welcome feedback at any time and this may be directed to the engagement lead.

Renfrewshire Integration Joint Board

Annual Audit Plan 2016/17

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