
To: Renfrewshire Health and Social Care Audit Committee

On: 29 June 2018

Report by: Chief Internal Auditor

Heading: Internal Audit Annual Report 2017/2018

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 2018. 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 Internal Audit Annual Report for 2017/2018.
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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 2017-2018

June 2018

Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report 2017/2018

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Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report

1 April 2017 – 31 March 2018

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 2017/18 relating to the IJB;
 - The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
 - Internal audit performance;
 - Planned audit work for 2018/19;
 - 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 2017/2018

- 3.1 The Internal Audit Plan for the IJB for 2017/2018 provided for a review of the compliance with the Integration Scheme. Following approval of the IJB Local Code of Corporate Governance it was agreed that a review of the adequacy and compliance with the Local Code of Corporate Governance would also be undertaken on an annual basis.
- 3.2 Appendix 1 details the assurances arising from the internal audit work carried out in line with the 2017/18 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 supports the annual assurance statement.
- 3.3 The Annual Report for 2016/2017 was submitted to the IJB Audit Committee Authority on 29 June 2017.
- 3.4 The implementation rate of audit recommendations is a measure of operational culture and effectiveness. During 2017/18, 1 recommendation was followed up and was confirmed as implemented.

4. Review of Internal Audit Performance

- 4.1 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. Table 1 shows the actual performance against targeted performance for the year.

Table 1**Internal Audit Performance 2017/18**

Performance measure	Target 2017/18	Actual 2017/18
% of audit assignments completed by target date	95%	96%
% of audit assignments completed within time budget	95%	95%
% completion of audit plan for the year*	95%	93%

* 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, in relation to percentage completion of the audit plan, is 2% below the target performance level. This was due to the actual level of resources available being lower than had been planned for, due to vacancies and two Council engagements being deferred into early 2018/19 due to other operational commitments within the services. All IJB specific audit engagements were completed by 30 April 2018.

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. There is an opportunity to improve and formalise the internal audit reporting arrangements to Board and this has been addressed early in 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, although some recommendations for improvement were made which have been addressed.

5. Planned Work for 2018/19

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 2018/2019 provides for 35 days of Internal Audit resource to undertake:

- A governance review focused on financial governance arrangements; 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 2017/2018 was approved by the IJB on 26 January 2018.

6. Audit Assurance Statement

- 6.1 The audit work performed in relation to the 2017/18 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 A number of significant 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 2017/18 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 29 June 2018

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
Compliance with the Integration Scheme	Substantial	<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
Corporate – Health & Safety	No Assurance	<ul style="list-style-type: none"> In the context of the objectives of the audit review, the control environment has been assessed as unsatisfactory. The Auditor is concerned that the current governance arrangements may not be fit for purpose. Operational arrangements are not currently adequate and there is a lack of appropriate processes and scrutiny. Management need to review the governance and operational practice as a matter of priority.
Adults with Incapacity	Limited	<ul style="list-style-type: none"> The audit identified that although there is a process in place for the use of Adults with Incapacity (Scotland) Act 2000, the guidance available to officers is outdated. Furthermore, on some occasions the relevant paperwork in relation to referring and applying for Adults with Incapacity intervention was unable to be located and those that were found were not always signed.
Adult Services Charging & Payments	Limited	<ul style="list-style-type: none"> The audit has provided limited assurance over the arrangements in place for administering financial assessments for non-residential care and raising invoices by the Charging and Payments team. It is acknowledged that Charging and Payments management have implemented new procedures and are continuing to work to improve controls in this area.
Corporate Records	Limited	<ul style="list-style-type: none"> Although there is a Records

Management		Management Plan in place that has been approved by the Keeper of Records Scotland, there is evidence to support that services are not fully complying with laid down practices. Furthermore, the estimated completion dates contained in the improvement action plan against a number of elements have not been achieved and therefore require to be revised.
Payroll - Pensions Auto Enrolment	Reasonable	<ul style="list-style-type: none"> None
Corporate Purchase Cards	Reasonable	<ul style="list-style-type: none"> None
Corporate Complaints Procedures	Reasonable	<ul style="list-style-type: none"> None
Contract Monitoring Arrangements (Property Services)	Substantial	<ul style="list-style-type: none"> None
Civil Contingencies Service	Substantial	<ul style="list-style-type: none"> None
NHS Greater Glasgow and Clyde		
Audit Engagement	Risk Level	Significant Matters
Achieving Financial Balance	High	<ul style="list-style-type: none"> The Board successfully achieved financial balance in the year, however, this relied heavily on the use of non-recurring support. The percentage of total savings achieved which were on a non-recurring basis was circa 70% in 2017/18, an increase from 40% in 2015/16. While non-recurring savings will always form part of a Board's savings, the lack of enduring savings increases future financial challenges and risks its financial sustainability. It is critical that the Board puts in place a transformation plan that will deliver recurring savings and provides financial sustainability for the future.
Waiting times management	High	<ul style="list-style-type: none"> In order to address the deteriorating performance against the Treatment Time Guarantee, management implemented a programme of demand and capacity gap assessment and improvement. The demand and capacity gap assessment exercise is of significant strategic and clinical importance to NHSGGC and its delivery is both complex

		and multi-faceted. However, we found that the exercise, despite its complexity and scale, has been initiated and partly executed without any formal project management discipline.
Mental Health: Crisis Management	High	<ul style="list-style-type: none"> Internal Audit performed sample testing over the execution of the three risk assessment tools operating across NHSGGC and found that in a significant number of instances, across all three tools, risk assessments were not completed in accordance with the governing policies in place.
Delayed discharge	Medium	<ul style="list-style-type: none"> None
Premium rate agency use	Medium	<ul style="list-style-type: none"> None
Cyber security maturity: Phase 2	N/A	<ul style="list-style-type: none"> None
Key financial controls: Accounts payable	Low	<ul style="list-style-type: none"> None
Key financial controls: Fixed assets	Low	<ul style="list-style-type: none"> None
Key financial controls: Payroll	Low	<ul style="list-style-type: none"> None
Clinical and Care Governance	Low	<ul style="list-style-type: none"> None
Information Governance – Information Asset Register	Low	<ul style="list-style-type: none"> None
Public health screening programmes	Low	<ul style="list-style-type: none"> None
Gifts and hospitality compliance	Medium	<ul style="list-style-type: none"> None
Programme management – Moving Forward Together	Low	<ul style="list-style-type: none"> None
Health and safety compliance	Medium	<ul style="list-style-type: none"> None
Corporate risk management	Low	<ul style="list-style-type: none"> None
Financial Planning 2018/19	Medium	<ul style="list-style-type: none"> None
Property Transactions Monitoring	N/A	<ul style="list-style-type: none"> None