
To: Renfrewshire Health and Social Care Audit Committee

On: 15 September 2017

Report by: Chief Internal Auditor

Heading: Internal Audit Annual Report 2016/2017

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 2017. 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.
-

2. Recommendations

- 2.1 That the Audit Committee notes the content of the Internal Audit Annual Report for 2016/2017.
-

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.
-

List of Background Papers – none.

Author: Andrea McMahon, Chief Internal Auditor

Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report 2016-2017

June 2017

Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report 2016/2017

Contents

		Page
1.	Introduction	1
2.	Responsibilities of Management and Internal Audit	2
3.	Internal Audit Activity in 2016/17	2
4.	Review of Internal Audit Performance	3
5.	Planned Audit Work for 2017/18	3
6.	Audit Assurance Statement	4
	Appendix 1 – Final Internal Audit Report - Strategic and Financial Plan	

Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report

1 April 2016 – 31 March 2017

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 management 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 2016/17 relating to the IJB;
 - The outcome of Internal Audit reviews of supporting Renfrewshire Council corporate systems;
 - Internal audit performance;
 - Planned audit work for 2017/18;
 - 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, reliance has been placed on the internal audit annual report for 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 2016/2017

- 3.1 The Internal Audit Plan for the IJB for 2016/2017 provided for a review of the performance management framework and the arrangements in place to monitor progress of the strategic plan outcomes and the arrangements for monitoring the financial plan and managing the financial risks. The final report is attached at Appendix 1.
- 3.2 There were no prior year audit recommendations to be followed up in 2016/17.
- 3.3 Internal Audit also carried out reviews of the main corporate systems operating within Renfrewshire Council which support the IJB's activity. The main findings in relation to these are summarised in table 1 below and Renfrewshire Council management have agreed to implement the audit recommendations made in relation to each review:

Table 1

Audit Area	Conclusion
Corporate Governance (Gifts and Hospitality)	<ul style="list-style-type: none">• Limited Assurance• Internal Audit have reviewed the level of awareness and compliance with the procedures for gifts and hospitality. Council management has agreed to review the documented procedures in place and develop training material to promote staff awareness and compliance.
Procurement (Tendering arrangements)	<ul style="list-style-type: none">• Substantial Assurance• No key risks were identified, although some recommendations were made in relation to retention of records, updating procedures and segregation of duties.

4. Review of Internal Audit Performance

- 4.1 In previous years internal audit measured performance against a range of measures. In 2016/17, Internal audit were in the process of implementing a new audit management system, during this phased implementation period it was only possible to measure the percentage completion of the audit plan for the year. Table 2 shows the actual performance against targeted performance for the year.

Table 2

Internal Audit Performance 2016/17		
Performance measure	Target 2016/17	Actual 2016/17
% completion of audit plan for the year*	95%	91.8%

* 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 3.2% 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 maternity leave. The 95% targeted completion was achieved by the end of April 2017.
- 4.3 The Chief Auditor is required to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit including conformance with the PSIAS. During 2016/17, an external quality assessment was undertaken, as required by the PSIAS once every five years. The assessment was undertaken as a peer review by West Lothian Council and concluded that the internal audit service was well managed and effective. A small number of recommendations for improvement were made and these have been added to the quality assurance and improvement programme for implementation during 2017/18.
- 4.4 External Audit

External Audit's review of the internal audit service concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

5. Planned Work for 2017/18

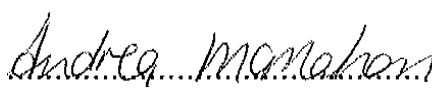
- 5.1 Following a risk based assessment of the activities of the IJB and consultation with the Chief Officer and Chief Financial Officer the Internal Audit Plan for 2017/2018 provides for 35 days of Internal Audit resource to undertake a governance review focused on compliance with the integration scheme and provides time for planning and reporting, follow up on previous

recommendations, ad-hoc advice and consultancy. The Internal Audit Plan for 2016/2017 was approved by the IJB on 3 February 2017.

- 5.2 An annual report for 2017/2018 will also be provided to the Audit Committee of the IJB.

6. Audit Assurance Statement

- 6.1 The audit work performed has been reported to the Chief Officer, and to the Integration Joint Board in this annual report. Where areas for improvement in internal control have been identified appropriate recommendations have been made, and accepted for action by management.
- 6.2 The internal audit review of strategic and financial planning undertaken during 2016/17 provided limited assurance to the IJB with a significant risk relating to on-going financial sustainability. The IJB have yet to agree on savings options to close the budget gap, this impacts on financial management, medium and long-term planning which could impact on the IJB's ability to achieve its objectives.
- 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 subject to paragraph 6.2 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 2016/17 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 Auditor

Date 29 June 2017



Internal Audit Report

RENFREWSHIRE HEALTH AND SOCIAL CARE PARTNERSHIP

IJB Strategic Financial Plan (B0017/2016/001)

Recipients

Issued to:	David Leese, Chief Officer
-------------------	----------------------------

Key Dates

Draft Report Issued	17/05/2017
Management Response Due	07/06/2017
Management Response Received	19/05/2017
Final Report Issued	19/05/2017

Index and Report Distribution List

- Section 1 - Executive Summary
- Section 2 - Detailed Report including planned Management Actions

Overall Assurance Rating	Recommendation Risk Ratings			
Limited	Critical	Important	Good Practice	Service Improvement
	1	3	1	0

EXECUTIVE SUMMARY

Audit Objectives

The objectives of the audit were to ensure that:

- A comprehensive performance management framework is in place;
- Performance measures have been developed to monitor progress of the strategic plan outcomes;
- Performance measures defined are SMART and measurable against baseline data;
- Performance is regularly reported to the Integration Joint Board;
- Financial risks are adequately managed through the organisation's risk register;
- Adequate arrangements are in place to monitor financial spend against the allocated budgets;
- Medium and longer term financial plans are being developed;
- Financial management is regularly reported to the Integration Joint Board;
- Governance arrangements exist to report performance and financial management to the partner bodies.

Audit Scope

1. Interviewed the appropriate staff, evaluated the performance management arrangements, progress of the strategic plan outcomes, financial plan monitoring and management of financial risks.
2. Prepared and undertook a series of tests to confirm the adequacy and effectiveness of the performance monitoring and reporting arrangements identified.

Key Audit Assurances
<ol style="list-style-type: none">1. A performance management framework is in place and performance measures have been developed to monitor progress of the strategic plan outcomes.2. Performance and financial matters are regularly reported to the Integration Joint Board.

Key Risks
As the IJB budget for 2016/17 was not agreed, the IJB have identified the required 2016/17 savings as part of the 2017/18 budget planning process. Delays in agreeing savings options will adversely impact on the ability of the IJB to develop longer terms financial plans for the IJB which in turn could impact on service delivery.

Overall Audit Opinion
The audit review provided limited assurance over arrangements in place to monitor performance, progress of the strategic plan outcomes and the financial plan and to manage financial risks. As IJB members have not agreed on savings options to close the budget gap, financial management, medium and long term planning and the ability to continue with the full range of service delivery are uncertain. This could result in reactive and unplanned budget cuts.

Internal Audit Report

Renfrewshire HSP

IJB Strategic Financial Plan (B0017/2016/001)

B0017/2016/001

Date: May 2017

Detailed Report

Rec No.	Detailed Finding	Recommendation
Recommendation 1 (Critical)	Monitoring financial spend against allocated budgets The Financial Report to the IJB for the period 1 April 2016 to 30 November 2016, presented in January 2017, showed an over spend of £914,000 (Renfrewshire Health Services £918k over spend, Social Work - Adult Services £4k under spend) and a projected adverse variance of £1.378m for the year end 31 March 2017. The report said: <ul style="list-style-type: none">- that an agreed in year allocation from NHS Greater Glasgow and Clyde will result in an expected break even position at 31 March 2017.- that at a meeting in November 2016 proposals to achieve savings targets of £1.378m were not approved by IJB members.- that there will be a requirement for the IJB to address this funding issue on a recurring basis as part of its 2017/18 budget. The IJB Risk Register shows a risk that if the IJB does not agree savings proposals for 2016/17 that it will result in a need to utilise earmarked funds which may impact on service delivery.	Confirmation is sought that a timescale for agreeing savings proposals with IJB members can be agreed so that a balanced budget can be set within a reasonable timeframe.
	Management Action to be taken	Action Owner
	It is intended to take proposals in respect of the outstanding 2016/17 and 2017/18 delegated Health budget savings targets to the IJB meeting on 23 June 2017 for approval. However, it should be noted that given the previous delays by the IJB not to accept savings proposals there may be further delays in agreeing the 2017/18 budget for health delegated services.	Sarah Lavers 30/6/17 (dependent on approval by IJB on 23/6/17)

Internal Audit Report

Renfrewshire HSP

IJB Strategic Financial Plan (B0017/2016/001)

B0017/2016/001

Date: May 2017

Rec No.	Detailed Finding	Recommendation
Recommendation 2 (Important)	Medium and longer term financial plans As a result of Finding 1 above, the auditor is concerned that Renfrewshire Health and Social Care Partnership are not in a position to determine any medium and longer term financial plans. Uncertainty in financial planning could impact on future service delivery.	Confirmation is sought that medium and longer term financial plans will be determined within a reasonable timescale.
Management Action to be taken		
These will be progressed once the savings strategy is agreed – the CFO will meanwhile continue to closely monitor and regularly report the financial position to the HSCP's SMT and the IJB.		Action Owner Sarah Lavers Completion Date 30/9/17 This date is provisional dependent on agreement being reached on savings at the meeting on 23/6/17

Internal Audit Report

Renfrewshire HSP

IJB Strategic Financial Plan (B0017/2016/001)

B0017/2016/001

Date: May 2017

Rec No.	Detailed Finding	Recommendation
Recommendation 3 (Important)	<p>Reporting to Leadership Board</p> <p>It was stated in a report to Renfrewshire Council in March 2016 that from 1 April 2016, updates on activity and performance of the delegated adult social work services, as defined in legislation, would be provided to elected members on a twice yearly basis at the Leadership Board.</p> <p>The next report about adult social work activity and performance to the Leadership Board was on 29 March 2017, with a note that a future performance report will be presented in September 2017.</p>	Confirmation should be sought from Renfrewshire Council that adult social work activity and performance will be reported twice yearly to the Leadership Board.
Management Action to be taken		
Twice yearly reports on adult social work services will be taken to the Leadership Board. Information will be available after March and September, therefore reports will be taken to the next available Leadership Board.	Fiona MacKay	Completion Date 30 September 2017

Internal Audit Report

Renfrewshire HSP

IJB Strategic Financial Plan (B0017/2016/001)

B0017/2016/001

Date: May 2017

Rec No.	Detailed Finding	Recommendation
Recommendation 4 (Important)	<p>Risk Management reporting</p> <p>A risk management update was presented to the IJB Board in June 2016 and the auditor was informed that the next risk update is planned for June 2017.</p> <p>If more regular risk management updates are not presented to the IJB Board this increases the risk that they do not have adequate oversight of the key risks to Renfrewshire Health and Social Partnership.</p>	<p>Key risks should be reported to the IJB Board more regularly. We recommend that they are reported at least twice yearly.</p>
Management Action to be taken		
The risk register is reviewed monthly by SMT and updated as required. The Head of Administration will submit a summary Risk Management report to the IJB in June and December each year.		
Review of the risk management strategy required to facilitate the role of the Audit Committee to monitor the HSCP risk register prior to submission to the IJB.	Jean Still	31 December 2017

Internal Audit Report

Renfrewshire HSP

IJB Strategic Financial Plan (B0017/2016/001)

B0017/2016/001

Date: May 2017

Rec No.	Detailed Finding	Recommendation
Recommendation 5 (Good Practice)	SMART performance measures It was noted that some performance measures in IJB Board reports in 2015/16 and 2016/17 did not have previous year comparison figures and that many did not achieve their targets. The Head of Planning and Performance said that some performance measures were new and so did not have comparatives, some take more than 2 years to be validated by Scottish Government and comparatives would not be included until they are validated. She also said that challenging targets are set, many of which require long term programmes to achieve. The auditor acknowledges the complexities of preparing Health and Social Care performance measures and that there are expert staff involved in the process of preparing and measuring them. However, a high level review of performance measures appears to indicate that whilst they are specific and measurable, further consideration could be given so that they are more clearly achievable, realistic and timebound.	Management should give consideration to the performance measures for Renfrewshire Health and Social Care Partnership so that they are more clearly achievable, realistic and timebound.
	Management Action to be taken	Action Owner
	Targets for 2017/18 will be reviewed to ensure they remain challenging but achievable, within the available budget.	Fiona McKay
		Completion Date
		30 September 2017

Internal Audit Report

Renfrewshire HSP

IJB Strategic Financial Plan (B0017/2016/001)

B0017/2016/001

Date: May 2017

<p>In arriving at our opinion we comply with the Public Sector Internal Audit Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance.</p> <p>For the area under review we consider the overall adequacy and effectiveness of risk management, control, and governance processes. Collectively we refer to these activities as "the system of internal control".</p> <p>The audit was based on sampling and therefore errors and/ or omissions may exist which have not been identified.</p>
--