

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

Date	Time	Venue
Friday, 16 September 2016	08:45	Abercorn Conference Centre, Renfrew Road, Paisley, PA3 4DR

KENNETH GRAHAM
Clerk

Membership

Dr Donny Lyons: Morag Brown: Councillor Derek Bibby: Councillor Michael Holmes: Alan McNiven:

Dr Donny Lyons (Chair): Councillor Derek Bibby (Vice Chair)

Membership

Further Information

This is a meeting which is open to members of the public.

A copy of the agenda and reports for this meeting will be available for inspection prior to the meeting at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley and online at www.renfrewshire.cmis.uk.com/renfrewshire/CouncilandBoards.aspx

For further information, please either email democratic-services@renfrewshire.gov.uk or telephone 0141 618 7112.

Members of the Press and Public

Members of the press and public wishing to attend the meeting should report to the customer service centre where they will be met and directed to the meeting.

Items of business

Apologies

Apologies from members.

Declarations of Interest

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

- 1 Internal Audit Annual Report 2015/16 5 - 18**

Report by Chief Auditor.
- 2 Internal Audit Charter 19 - 26**

Report by Chief Auditor.
- 3 Audited Annual Accounts 2015/16**

Report by Chief Finance Officer. (available in the meeting documents section below)
- 4 Date of Next Meeting**

Consider date for the next meeting of the Audit Committee.

To: Renfrewshire Health and Social Care Audit Committee

On: 16 September 2016

Report by: Chief Internal Auditor

Heading: Internal Audit Annual Report 2015/2016

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 2016. 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.
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2. Recommendations

- 2.1 That the Audit Committee notes the content of the Internal Audit Annual Report.
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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** - 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 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.

Author: Andrea McMahon, Chief Internal Auditor



Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report 2015-2016

September 2016

Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report 2015/2016

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Renfrewshire Health and Social Care Integration Joint Board

Internal Audit Annual Report

1 April 2015 – 31 March 2016

1. Introduction

- 1.1 The Renfrewshire Health and Social Care Integration Joint Board was formally established on 18 September 2015. A shadow Integration Joint Board was in operation prior to this date.
- 1.2 The Scottish Government's Integrated Resources Advisory Group (IRAG) guidance states that it is the responsibility of the Integration Joint Board to establish proportionate internal audit arrangements for the review of the adequacy of the arrangements for risk management, governance and control of integrated resources. Renfrewshire Council's Chief Auditor was confirmed as the Chief Internal Auditor for the IJB on 18 September 2015.
- 1.4 This report outlines the internal audit work we have carried out for the year ended 31 March 2016. The Public Sector Internal Audit Standards (PSIAS) requires that the Chief Internal Auditor must deliver an annual internal audit opinion that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- 1.4 The IRAG guidance clarifies that 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.

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 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) 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."

- 2.3 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 2015/2016

- 3.1 There was no approved Internal Audit Plan for the IJB for 2015/2016. The Health Board and Local Authority internal auditors undertook financial assurance work on the assurance process within their respective bodies. In line with the IRAG guidance "integration financial assurance" the outcome of this work was reported to the IJB on 18 March 2016.

4. Quality Assurance and Improvement

- 4.1 The PSIAS requires that the Chief Auditor develops and maintains a quality assurance and improvement programme that covers all aspects of the internal audit including conformance with the standards. The PSIAS requires that the quality assurance and improvement programme includes internal assessments in the form of ongoing monitoring of the performance of the internal audit activity; and periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.
- 4.2 An external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Internal Auditor has arranged for an external assessment to be conducted during 2016/2017.

5. Planned Work for 2016/17

- 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 2016/2017 provides for 35 days of Internal Audit resource to review strategic performance monitoring and financial planning and provides time for planning and reporting and ad-hoc advice and consultancy. The Internal Audit Plan for 2016/2017 was approved by the IJB on 18 March 2016.
- 5.2 An annual report for 2016/2017 will also be provided to the Audit Committee of the IJB.

6. Audit Assurance Statement

- 6.1 Internal Audit has performed its work in accordance with the role defined in paragraph 2.2. The audit work performed has been reported to IJB. Where areas for improvement in internal control have been identified appropriate recommendations have been made, and accepted for action by management.

- 6.2 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.
- 6.3 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 2015/16 financial assurance work undertaken by the Local Authority and Health Board Auditors.
 - The assurance statement signed by the Chief Financial Officer in relation to the operation of internal controls in place during 2015/2016.
 - Management action to respond to audit recommendations.
 - The opinion's contained in the Internal Audit Annual Reports of the Health Board and the Local Authority.

Signed

Chief Auditor

Date 16 September 2016

Item 4

To: Renfrewshire Integration Joint Board

On: 18 March 2016

Report by: Chief Internal Auditor

Heading: Annual Internal Audit Plan 2016/17

1. Summary

- 1.1 In line with the requirements of the Public Sector Internal Audit Standards, a risk based internal audit plan for 2016/17 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 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.
- 1.4 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.

2. Recommendations

Integration Joint Board members are asked to:

- Approves the Internal Audit Plan for 2016/17.
- Note that the Internal Audit Plan will be shared with the Local Authority and the Health Board.

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 2016/17 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 has met 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 2016 – 2017.
11. **Privacy Impact** - none.

List of Background Papers – none.

Author: Andrea McMahon, Chief Internal Auditor

Annual Audit Plan – 2016/17 Renfrewshire Integrated Joint Board

Audit Category	Engagement Title	No. of days	Detailed work
Assurance	Strategic and Financial Plan	25	Review the performance management framework and the arrangements in place to monitor progress of the strategic plan outcomes including the arrangements for monitoring the financial plan.
Planning & Reporting	Annual Plan, Annual Report and Audit Committee reporting	5	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 / Consultancy	5	Any relevant issues raised by NHSGGC and Renfrewshire Council in relation to the operational delivery of services.

To: Renfrewshire Health and Social Care Audit Committee

On: 16 September 2016

Report by: Chief Internal Auditor

Heading: Internal Audit Charter

1. Summary

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013. In April 2016, the standards were revised to include the Mission of Internal Audit and the Core Principles for the Professional Practice of Internal Auditing.
- 1.2 This report presents the Internal Audit Charter (Appendix 1) for the Integration Joint Board's Internal Audit Service that has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS).

2. Background

- 2.1 The PSIAS require that the purpose, authority and responsibility of Internal Audit must be formally defined in an internal audit charter consistent with the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Audit, the Code of Ethics and the Standards. The Chief Auditor must periodically review the internal audit charter and present it to senior management and the board for approval.

The PSIAS require that the Internal Audit Charter should:

- Recognise the mandatory nature of the PSIAS;
- Define the scope of Internal Audit activities;
- Establish the responsibilities and objectives of Internal Audit;
- Establish the organisational independence of Internal Audit;
- Establish the accountability, reporting lines and relationships between the Chief Auditor and:
 - The board;
 - Those to whom the Chief Auditor must report functionally; and
 - Those to whom the Chief Auditor may report to administratively.
- Set out the responsibility of the board and also the role of the statutory offices such as the Chief Officer and the Chief Financial Officer with regards to Internal Audit;
- Recognise that Internal Audit's remit extends to the entire control environment of the organisation and not just financial controls; and

2. Recommendations

- 2.1 That the Audit Committee approves the Internal Audit Charter.
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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** - 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** - Conformance with the PSIAS mitigates the risk of the Internal Audit Service being ineffective.
 11. **Privacy Impact** - none.
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List of Background Papers – none.

Author: Andrea McMahon, Chief Internal Auditor

INTERNAL AUDIT CHARTER

APPENDIX 1



INTRODUCTION:

Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the operations of the Integration Joint Board. It assists the Integration Joint Board (IJB) in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

MISSION:

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

DEFINITION OF ROLES:

The Public Sector Internal Audit Standards require that the Internal Audit Charter defines the terms 'board', 'senior management' and 'Chief Audit Executive' in relation to the work of Internal Audit. For the purposes of the Internal Audit function for the Integration Joint Board:

- the 'board' refers to the IJB Audit Committee which has delegated responsibility for overseeing the work of Internal Audit;
- 'senior management' is defined as the Chief Officer of the IJB, to whom the work of Internal Audit shall be reported; and
- 'Chief Audit Executive' refers to the Chief Auditor of Renfrewshire Council who has been nominated as the Chief Internal Auditor of the IJB.

PROFESSIONALISM:

The Internal Audit service will comply with the PSIAS which encompasses the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), including the *Definition of Internal Auditing*, the *Core Principles for the Professional Practice of Internal Audit*, the *Code of Ethics*, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes the principles of the fundamental requirements for the professional practice of internal auditing in the public sector and for evaluating the effectiveness of the internal audit activity's performance.

The internal audit service will adhere to Renfrewshire Council's relevant policies and procedures and the internal audit manual which sets out the internal audit activity's standard operating procedures.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

AUTHORITY:

The authority of Internal Audit is set out in the IJB's Financial Regulations and Codes. Internal Audit will safeguard all information obtained in the carrying out of its duties and will only use it for the purposes of an audit, investigation, or consultancy work. Internal Audit has authorised full, free, and unrestricted access to any and all of the IJB's records, physical properties, and personnel pertinent to carrying out any engagement. Internal Audit will make no disclosure of any information held unless this is *authorised* or there is a legal or professional requirement to do so. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee, the Chief Officer and the Chief Financial Officer.

ORGANISATION:

The Chief Internal Auditor will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Director of Finance and Resources, Renfrewshire Council. The Chief Internal Auditor will communicate and interact directly with the Audit Committee, including in Committee meetings and between Committee meetings as appropriate. The Chief Internal Auditor may report direct to the Chief Officer, Chief Financial Officer, IJB Board members regarding any matters of concern that could place the IJB in a position where the risks it faces are unacceptable or the independence of Internal Audit is under threat. The Chief Internal Auditor will share relevant reports and information with the Chief Auditor for Renfrewshire Council, the Head of Internal Audit for NHS Greater Glasgow and Clyde, Renfrewshire Council's Audit, Scrutiny and Petitions Board and Renfrewshire Council's Senior Management.

INDEPENDENCE AND OBJECTIVITY:

Internal Audit is an independent review activity. In conducting its activities, Internal Audit activity will remain free from any undue influence or other pressure affecting its actions and reporting. This includes matters of audit selection, scope, procedures, frequency, timing, or report content.

Internal Audit is not a substitute for effective control exercised by management as part of their responsibilities. It is the responsibility of the Council's managers to ensure that the management of the areas under their control is adequate and effective and that their services have 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.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Where the Chief Internal Auditor has responsibility for operational activities the periodic review of these activities will be conducted by parties independent of the Internal Audit function.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Internal Auditor will confirm to the board, at least annually, the organisational independence of the internal audit activity.

RESPONSIBILITY:

The Internal Audit Service adds value to the IJB by providing objective and relevant assurance, and contributing to the effectiveness and efficiency of governance, risk management and control processes.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Independent review and appraisal of the control environment throughout the organisation.
- Providing assurance to management and the Audit Committee that the established systems ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or projects to ascertain whether results are consistent with established objectives and goals and whether the operations or projects are being carried out as planned.
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Supporting the IJB to improve its internal control, governance and risk management processes.
- Evaluating the extent to which risks have been identified and managed to achieve the IJB's objectives.
- Working in partnership with Health Board Internal Auditors, external auditors and other review bodies to coordinate activities with internal audit to avoid duplication and seek to rely on the work of these other assurance providers where professional standards and the nature and quality of the work they have undertaken would make it appropriate to do so.

- Undertaking consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
- Supporting the Chief Officer and the Chief Financial Officer in the discharge of their statutory duties;
- Encouraging a culture of personal and corporate responsibility and accountability through the promotion of anti-fraud and corruption and ethical values.
- Having the right of access to examine the accounts and other financial records and data of external organisations as set out in the conditions of funding or other agreement.
- Investigating any suspicion of fraud, irregularity or corrupt practice in accordance with the relevant procedures.

INTERNAL AUDIT PLAN:

The authority for the production and execution of the audit plan rests with the Chief Internal Auditor. The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. At least annually, the Chief Internal Auditor will submit to senior management and the Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as resource requirements for the next financial year.

The Chief Internal Auditor will communicate the impact of any resource limitations and any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee as appropriate.

REPORTING AND MONITORING:

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Chief Officer and the Audit Committee in the format agreed.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within 3 weeks) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations.

PERIODIC ASSESSMENT:

The Chief Internal Auditor will at least annually, report to the Chief Officer and the Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Annual reporting will also provide an annual audit opinion on the overall adequacy and effectiveness of the IJB's internal control environment, and include

details of any significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Chief Officer and the Audit Committee.

In addition, the Chief Internal Auditor will communicate to the Chief Officer and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of internal assessments and external assessments conducted at least every five years.

APPROVAL

The Internal Audit Charter will be approved by the IJB Audit Committee and shall be subject to regular review by the Chief Internal Auditor in consultation with the Chief Officer.

Effective date 16 September 2016

