

EAST RENFREWSHIRE INTEGRATION JOINT BOARD**PERFORMANCE AND AUDIT COMMITTEE****25 September 2019****Report by Chief Auditor****INTERNAL AUDIT ANNUAL REPORT 2018/19****PURPOSE OF REPORT**

1. To submit the Chief Auditor's Annual Report for 2018/19 which contains an independent opinion on the adequacy and effectiveness of the governance, risk management and internal control systems operating within the integration joint board (IJB).

BACKGROUND

2. Internal Audit is an autonomous unit within the Chief Executive's Office of East Renfrewshire Council. Independence is achieved through the organisational status of internal audit and the objectivity of internal auditors. For the purposes of providing an annual opinion, reliance will be placed on the work of the NHS Greater Glasgow and Clyde (NHSGGC) internal auditors, East Renfrewshire Council internal auditors and any work carried out by other external assessors, for example Audit Scotland and Care Inspectorate.

3. In order to ensure proper coverage and avoid duplication of effort, the internal auditors of the NHSGGC and all the local authorities operating within this Health Board area meet periodically.

ANNUAL REPORT 2018/19

4. The attached annual report (Appendix 1) contains the annual internal audit statement of assurance and concludes that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in the year ended 31 March 2019. The proposed audit plan for 2019/20 is also included within the report.

RECOMMENDATION

5. The Committee is asked to:

- note the contents of internal audit's annual report 2018/19
- note the annual assurance statement and the conclusion that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2018/19.
- approve the proposed audit plan for 2019/20.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

M Blair, Chief Auditor
6 September 2019

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INTERNAL AUDIT ANNUAL REPORT 2018/19

INTRODUCTION

1. The Scottish Government established the Integrated Resources Advisory Group (IRAG) to consider the financial implications of integrating health and social care, and to develop professional guidance.
2. The IRAG guidance outlines the responsibility of the integration joint board (IJB) to establish good governance arrangements, including proportionate internal audit arrangements for the review of the adequacy of the arrangements for governance, risk management and control of resources delegated to the IJB.
3. East Renfrewshire Council (ERC) and NHS Greater Glasgow and Clyde (NHSGGC) agreed that East Renfrewshire Council's internal audit service would undertake the internal audit role for the IJB and the Chief Auditor of East Renfrewshire Council was formally appointed to that role by the Integration Joint Board on 7 October 2015.
4. The guidance also states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.
5. To inform this review and the preparation of the governance statement, as stated in the CIPFA framework on Delivering Good Governance in Local Government, internal audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework for governance, risk management and control. This annual report contains the opinion on the IJB's internal control framework for the financial year 2018/19.

INTERNAL CONTROL FRAMEWORK

6. In order to ensure the proper conduct of its business, the IJB has a responsibility to develop and implement systems of internal control. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective controls and it remains primarily the responsibility of line management to ensure that internal controls are in place and are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to IJB policy and procedures. Such systems of internal control can provide only reasonable and not absolute assurance against loss.
7. An excellent working relationship exists between internal audit and Audit Scotland, the IJB's appointed external auditors. Information on audit planning and the progress of audit work is regularly exchanged on an informal basis which helps avoid duplication of effort and maximises audit resources. Audit Scotland review the work of internal audit annually to consider whether reliance can be placed on internal audit's work and it is pleasing to be able to report that Audit Scotland continue to be able to place reliance on internal audit's work as the standard of work meets their requirements.
8. East Renfrewshire IJB commissions East Renfrewshire Council and NHS Greater Glasgow and Clyde to provide services on its behalf, both of which operate in compliance with the Public Sector Internal Audit Standards (PSIAS). As such, any significant governance issues reported in either the Council's or NHS Greater Glasgow and Clyde's 2018/19 Annual Governance Statements are considered for relevance to the East Renfrewshire IJB. No significant issues were reported in either of these however the following is noted and brought to the committee's attention as relevant to the IJB:

- There have been operational issues within the Care at Home service which resulted in failure to take proper account of the requirements of the regulatory body. The Care Inspectorate report titled Housing Support Service concluded that the quality of care and support and management and leadership was unsatisfactory and that quality of staffing was weak. This report resulted in three requirements being set by the Care Inspectorate in addition to the six requirements and one recommendation from the previous report which had not been implemented. It is acknowledged that progress against implementing requirements and the recommendation has been presented to the IJB in March 2019 and August 2019 and the issues raised in the report were brought to the Council's elected members' attention in March 2019.

ACHIEVEMENT OF 2018/19 ANNUAL AUDIT PLAN

9. The 2018/19 audit plan provided 20 days and was approved by the Performance and Audit Committee on 26 September 2018. The audit work to be covered specific to the IJB was a follow-up of progress against previous internal audit recommendations with the remaining days held in reserve to address any emerging issues as they arose, to be used in consultation with the Head of Finance and Resources. No such issues were identified.

10. A follow-up audit was carried out on the report on governance which was considered by the Performance and Audit Committee in June 2018. Six recommendations were made, of which two are still outstanding as follows:

- a Workforce Development Plan and Organisational Development Strategy is still not in place. Key Scottish Government guidance which affects this has been delayed and is not now expected until late 2019. (medium risk)
- Carer's representation on the Clinical and Care Governance Committee (now replaced by the Clinical and Care Governance Group) is still not in place due to clarification required on confidentiality and governance issues still to be resolved. (low risk)

PLANNED WORK FOR 2019/20

11. The internal audit plan for the Council was approved by the Audit and Scrutiny Committee on 14 March 2019 and included an allocation of 20 days for IJB audit commitments. This is consistent with previous year audit allocations for the IJB.

12. Internal audits which are of relevance and interest to the IJB will be carried out in both the Council and the Health Board by their respective internal audit teams and these will be detailed within the relevant organisation's audit plans. Specific to the IJB however, audits have been carried out on the integration scheme, performance management arrangements, review of governance arrangements and consultation on compilation of code of governance.

13. The proposed plan includes delivery of standard items that are required each year. In preparing the proposed plan, the Head of Finance and Resources was consulted and previous audit findings and risks affecting the IJB were considered. The plan is prepared on the basis that operational controls over services are assured through the internal audits of NHSGCC and ERC and the IJB internal audit plan therefore complements these other plans.

14. It is proposed that the 20 days allocated are spent as follows:

Audit	Description/indicative scope	Planned Days
Risk Management	Review of the IJB's risk management arrangements to ensure: <ul style="list-style-type: none"> • Risk management policy and strategy is adhered to • risk registers are regularly updated and reported to IJB • actions noted as being required to mitigate risks are SMART • actions in place to mitigate risks can be evidenced • risk ratings appear reasonable in light of actions in place and after further proposed actions are taken to mitigate risks further. 	11
Follow-Up	Audit the progress made against implementing previous internal audit recommendations, undertaking additional testing as required.	3
Planning, Reporting and Administration	Audit committee attendance, preparation of reports and miscellaneous time spent liaising with management, partner organisations and peers.	6
Total		20

ANNUAL INTERNAL AUDIT OPINION

15. The ERC annual report and assurance statement for 2018/19 did not highlight any significant failures in controls and was presented to the Council's Audit and Scrutiny Committee in June 2019.

16. The internal auditors for NHSGCC have provided details of their annual report and assurance statement for 2018/19. The Chief Audit Executive's opinion was that governance, risk management and control in business critical areas is generally satisfactory.

17. The Internal Audit Annual Statement of Assurance for East Renfrewshire IJB is attached.

CONCLUSION

18. Audit is satisfied that the required financial assurance and governance arrangements were in place to support the delegation of functions to the integration joint board for the year ended 31 March 2019. The IJB has produced a Governance Statement which concurs with this conclusion.

INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE FOR 2018/19

As Chief Auditor of East Renfrewshire Integration Joint Board, I am pleased to present my annual statement on the adequacy and effectiveness of the governance, risk management and internal control systems of the East Renfrewshire Integration Joint Board for the year ended 31 March 2019.

Respective responsibilities of management and Internal Audit in relation to Governance, Risk Management and Internal controls

It is the responsibility of the Board and IJB senior management to establish appropriate and sound systems of governance, risk management and internal control and to monitor the continuing effectiveness of these systems. It is the responsibility of the Chief Auditor to provide an annual overall assessment of the robustness of governance, risk management and internal control.

Framework of Governance, Risk Management and Internal Controls

The Integration Joint Board uses the systems of East Renfrewshire Council (ERC) and NHS Greater Glasgow and Clyde (NHSGGC) to manage its financial records.

The main objectives of the internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the Integration Joint Board's objectives;
- To safeguard assets;
- To ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, ERC and NHSGGC continually seek to improve the effectiveness of their systems of internal control.

The work of Internal Audit

Internal Audit is an independent appraisal function established for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of the organisation's resources.

The operational delivery of services within ERC and NHSGGC on behalf of the IJB will be covered by their respective internal audit arrangements.

There is a requirement that the IJB internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. The East Renfrewshire Council Internal Audit service operates in accordance with the PSIAS and undertakes an annual programme of work which is approved and monitored by the Council's Audit and Scrutiny Committee. The internal audit service for NHSGGC is provided by Scott-Moncrieff whose audit methodology also conforms to PSIAS.

ERC's internal audit section provided an annual report and assurance statement for 2018/19 which was submitted to the Council's Audit and Scrutiny Committee on 20 June 2019 for approval. The audit opinion concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for the year ended 31 March 2019.

NHSGGC's internal auditor provided an annual report to the NHS dated June 2019 which contained the Chief Audit Executive's opinion which concluded that the internal control framework of NHSGGC provides reasonable assurance regarding the achievement of objectives, management of key risks and

the delivery of best value, except in relation to performance reporting, payroll and sickness absence. Nine audit findings identified during 2018/19 in these three areas were rated as high risk.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by ERC Internal Audit staff during the year to 31 March 2019
- The audit work undertaken by Scott-Moncrieff who are the appointed auditors of NHSGGC during the year to 31 March 2019.
- Chief Auditor’s knowledge of the IJB’s activities for the year ended 31 March 2019.

Opinion

It is my opinion, based on the information available and assurances provided, that reasonable assurance can be placed on the framework of governance, risk management and internal controls which operated in the East Renfrewshire Integration Joint Board in the year to 31 March 2019.

Michelle Blair FCA
Chief Auditor

6 September 2019

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