

**EAST RENFREWSHIRE INTEGRATION JOINT BOARD**

**PERFORMANCE AND AUDIT COMMITTEE**

**23 September 2020**

**Report by Chief Auditor**

**INTERNAL AUDIT ANNUAL REPORT 2019/20**

**PURPOSE OF REPORT**

1. To submit the Chief Auditor's Annual Report for 2019/20 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 are in regular communication when necessary.

**ANNUAL REPORT 2019/20**

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 2020. The proposed audit plan for 2020/21 is also included within the report.

**RECOMMENDATION**

5. The Committee is asked to:

- note the contents of internal audit's annual report 2019/20
- note the annual assurance statement and the conclusion that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2019/20.
- approve the proposed audit plan for 2020/21.

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

M Blair, Chief Auditor  
14 September 2020

BLANK PAGE

## **INTERNAL AUDIT ANNUAL REPORT 2019/20**

### **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 2019/20.

### **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 2019/20 Annual Governance Statements are considered for relevance to the East Renfrewshire IJB. No significant issues were reported in either of these specific to the IJB.

### **ACHIEVEMENT OF 2019/20 ANNUAL AUDIT PLAN**

9. The 2019/20 audit plan provided 20 days and was approved by the Performance and Audit Committee on 25 September 2019. The audit work to be covered specific to the IJB was an audit of the risk management arrangements in place and a follow-up of progress against previous internal audit recommendations.

10. The audit of IJB risk management arrangements was completed and issued in February 2020.

The objectives of this audit were to review the IJB's risk management arrangements to ensure:

- 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 proposed actions are taken to mitigate risks further.

There were four recommendations made within this report, all were classified as low risk and accepted by management.

11. The proposed follow-up audit would have been to ensure the recommendations made and accepted in the previous follow-up audit report MB/1110/RM issued in August 2019 had been fully implemented. There were two recommendations within this report, one classified as medium risk and one as low risk. This follow-up audit had not commenced prior to the COVID19 lockdown as one of the agreed implementation dates was 31 March 2020. The Head of Finance and Resources has recently advised that this implementation date is delayed due to COVID 19.

#### **PLANNED WORK FOR 2020/21**

12. The internal audit plan for the Council was approved by the Audit and Scrutiny Committee on 12 March 2020 and included an allocation of 20 days for IJB audit commitments. This is consistent with previous year audit allocations for the IJB. The audit plan was subsequently revised on 13 August 2020 due to COVID19.

13. 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.

14. 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.

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

<b>Audit</b>	<b>Description/indicative scope</b>	<b>Planned Days</b>
	Reserve days to address any emerging issues which may arise during the year, days to be used in consultation with the Head of Finance and Resources (Chief Financial Officer)	11
Follow-Up	Audit the progress made against implementing previous internal audit recommendations, undertaking additional testing as required.	3
Planning, Reporting and	Audit committee attendance, preparation of reports and miscellaneous time spent liaising with management, partner	6

Administration	organisations and peers.	
<b>Total</b>		20

### **ANNUAL INTERNAL AUDIT OPINION**

16. The ERC annual report and assurance statement for 2019/20 did not highlight any significant failures in controls and was presented to the Council's Audit and Scrutiny Committee in August 2020.

17. The internal auditors for NHSGCC have now provided their annual report and assurance statement for 2019/20 and have concluded that there is reasonable assurance regarding the achievement of objectives, management of key risks and delivery of best value except in relation to the five areas (shown below) where 15 grade 3 (high risk) recommendations were made. These areas are not specific to IJB. No grade 4 (very high risk) recommendations were made:

- Service redesign – acute stroke services
- Operational planning
- Medicines reconciliation in hospital
- Sickness absence follow up and
- IT security.

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

### **CONCLUSION**

19. 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 2020. The IJB has produced a Governance Statement which concurs with this conclusion.

## **INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE FOR 2019/20**

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 2020.

### **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-Moncreeff whose audit methodology also conforms to PSIAS.

ERC's internal audit section provided an annual report and assurance statement for 2019/20 which was submitted to the Council's Audit and Scrutiny Committee on 13 August 2020 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 2020.

NHSGGC's internal auditor has provided an annual report to the NHS and indicated that the internal control framework provides reasonable assurance regarding the achievement of objectives,

management of key risks and delivery of best value, except in relation to areas which were not specific to the IJB.

**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 2020
- The audit work undertaken by Scott-Moncrieff who are the appointed auditors of NHSGGC during the year to 31 March 2020.
- Chief Auditor’s knowledge of the IJB’s activities for the year ended 31 March 2020.

**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 2020.

Michelle Blair FCA  
Chief Auditor

14 September 2020

BLANK PAGE