

EAST RENFREWSHIRE INTEGRATION JOINT BOARD**PERFORMANCE AND AUDIT COMMITTEE****23 November 2022****Report by Chief Auditor****INTERNAL AUDIT ANNUAL REPORT 2021/22****PURPOSE OF REPORT**

1. To submit the Chief Auditor's Annual Report for 2021/22 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 2021/22

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 2022 except for one area. This is the area still under investigation by Police Scotland, though it is noted that the periods under investigation were prior to 2021/22.

RECOMMENDATION

5. The Committee is asked to:

- (a) note the contents of internal audit's annual report 2021/22
- (b) note the annual assurance statement and the conclusion that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2021/22 except for a matter still under investigation by Police Scotland which was also referred to in the 2020/21 annual report.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.
M Blair, Chief Auditor
16 November 2022

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INTERNAL AUDIT ANNUAL REPORT 2021/22

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 2021/22.

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.
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 2021/22 Annual Governance Statements are considered for relevance to the East Renfrewshire IJB. No significant issues were noted within the NHS statement. One issue was noted within the Councils Annual Governance Statement but since this matter is still under investigation by Police Scotland, no further detail can be provided at this time. The same matter was referenced in the 2020/21 annual report. The Chief Financial Officer has kept the Chairs of the IJB and its Performance and Audit Committee, and the IJB's external auditor (Audit Scotland) fully informed of this matter and all accept that this does not impact materially on the IJB accounts or the external audit opinion.

ACHIEVEMENT OF 2021/22 ANNUAL AUDIT PLAN

9. The 2021/22 audit plan provided 20 days and was approved by the Performance and Audit Committee on 24 November 2021. In agreement with the Head of Finance and Resources, no audit work specific to the IJB was planned and the days were to be reserved to address any emerging issues during the year.

10. The planned work on follow up of progress against previous internal audit recommendations was completed and issued in March 2022. One IJB specific issue remained outstanding at that time. This was classified as low risk and relates to management being reminded to use the most up to date version of the ERC operational risk register. Audit now considers this recommendation to be closed.

INTERNAL AUDIT WORK CARRIED OUT BY PARTNER ORGANISATIONS

11. 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.

12. The internal audit plan for the Council was approved by the Audit and Scrutiny Committee in June 2021 and included an allocation of 15 days for IJB audit commitments. These days are audit allocations for IJB specific audits and are in addition to HSCP related audits included within the Council audit plan.

13. HSCP related audits carried out by the council's internal audit team have been submitted to the Performance and Audit Committee periodically with details of the full reports and levels of implementation of recommendations made. Recommendations within Council audit reports are classified as High, Medium or Low in accordance with the following table.

Risk Ratings for Recommendations	
High	<ul style="list-style-type: none"> • Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole. • Corrective action must be taken and should start immediately.
Medium	<ul style="list-style-type: none"> • There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole. • Corrective action should be taken within a reasonable timescale.
Low	<ul style="list-style-type: none"> • Area is generally well controlled or minor control improvements needed. • Lower level controls absent, not being operated as designed or could be improved
Efficiency	<ul style="list-style-type: none"> • These recommendations are made for the purposes of improving efficiency, digitalisation or reducing duplication of effort to separately identify them from recommendations which are more compliance based or good practice.

14. In 2021/22, only one HSCP specific audit was carried out on Kinship, Fostering and Adoption payments. The report was issued in April 2022 and contained three recommendations, all classified as low risk. Other reports containing recommendations to be implemented by HSCP have already been circulated in full to the Committee.

15. Azets currently provide an internal audit service on behalf of NHSGGC. In 2021/22 a total of thirteen audits were conducted as follows:

Review	Overall audit rating	No. of issues per grading			
		1	2	3	4

<i>Remobilisation planning</i>	<i>Effective</i>	-	-	1	-
<i>Assurance framework – corporate risk register</i>	<i>n/a – not rated</i>	<i>n/a</i>			
<i>Assurance framework – directorate risk registers</i>	<i>Minor improvement required</i>	-	1	1	-
<i>Procurement and tendering</i>	<i>Substantial improvement required</i>	-	3	4	-
<i>Delayed discharges</i>	<i>Substantial improvement required</i>	-	2	1	-
<i>Nurse bank</i>	<i>n/a – not rated</i>	<i>n/a</i>			
<i>Bed management</i>	<i>Minor improvement required</i>	-	-	2	-
<i>Time of day discharge</i>	<i>Substantial improvement required</i>	-	4	2	--
<i>Recruitment</i>	<i>Minor improvement required</i>	-	-	4	-
<i>HEPMA – Project governance</i>	<i>Minor improvement required</i>	-	-	2	-
<i>ICT service delivery</i>	<i>Minor improvement required</i>	-	-	6	-
<i>NIS audit preparedness</i>	<i>n/a – not rated</i>	<i>n/a</i>			
<i>Property Transaction Monitoring</i>	<i>Minor improvement required</i>	-	-	2	-
Total		0	10	25	0

16. Each of the issues within these reports are ranked on the following basis.

Ranking	Definition
4	<i>Very high risk exposure – major concerns requiring immediate senior management attention</i>
3	<i>High risk exposure – absence/failure of key controls</i>
2	<i>Moderate risk exposure – controls not working effectively and efficiently</i>
1	<i>Limited risk exposure – controls are working effectively but could be strengthened</i>

17. The overall audit report rankings are based on the following table:

<i>Immediate major improvement required</i>	<i>Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.</i>
<i>Substantial improvement required</i>	<i>Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met</i>
<i>Control objectives achieved – minor improvements</i>	<i>A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable</i>

<i>opportunities</i>	<i>assurance that risks are being managed and objectives should be met.</i>
<i>Effective</i>	<i>Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance tht risks are being managed and objectives should be met.</i>

18. None of the reports were classified as requiring immediate major improvement. Overall, there were no grade 4 recommendations in any audit report and in their annual report, Azets have concluded that NHSGGC has a framework of governance and internal control that provides reasonable assurance regarding the effective and efficient achievement of objectives.

19. In the audit of Procurement and Tendering, Azets highlighted issues such as the arrangements for ensuring the completeness and accuracy of the contracts register were inadequate, there was insufficient management oversight and scrutiny of procurement and tendering activity, and the documentation confirming approval for some contracts procured during the Covid 19 pandemic could not be located. Azets however commented that all recommendations were implemented in full ahead of the agreed target dates.

20. Three audits were carried out under the theme of Discharge Planning (Bed Management, Time of Day Discharge and Delayed Discharges). Issues were identified in each of these audits and comments were made regarding the extent to which discharge is proactively managed between the NHSGGC and its associated HSCP, in particular, inconsistent practices at both hospital and ward level over Pharmacy and Social Work referrals which are commonly known barriers to timely patient discharge.

ANNUAL INTERNAL AUDIT OPINION

21. The ERC annual report and assurance statement for 2021/22 was presented to the Council's Audit and Scrutiny Committee in August 2022 and did not highlight any significant failures in controls except for one area which is still currently under Police Scotland investigation. It should be noted that this issue is not material overall to the IJB Financial Statements.

22. The internal auditors for NHSGGC have presented their annual report and assurance statement for 2021/22 to the NHS Audit and risk committee in June 2022. They concluded that the framework of governance and internal control provides reasonable assurance regarding the effective and efficient achievement of objectives.

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

CONCLUSION

24. 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 2022 except for one matter still under investigation by Police Scotland. The IJB has produced a Governance Statement which concurs with this conclusion.

INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE FOR 2021/22

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 2022.

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 Azets whose audit methodology also conforms to PSIAS.

ERC's internal audit section provided an annual report and assurance statement for 2021/22 which was submitted to the Council's Audit and Scrutiny Committee on 11 August 2022 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 2022 except for a matter still under investigation by Police Scotland.

No significant governance issues were raised by NHSGGC's internal auditor in their annual report presented to the NHSGGC Audit Committee in June 2022 which were of relevance to the East Renfrewshire 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 2022
- The audit work undertaken by Azets who are the appointed auditors of NHSGGC during the year to 31 March 2022.
- Chief Auditor's knowledge of the IJB's activities for the year ended 31 March 2022.

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 2022 except for an area still under investigation by Police Scotland.

Michelle Blair FCA
Chief Auditor

16 November 2022