

EAST RENFREWSHIRE INTEGRATION JOINT BOARD**PERFORMANCE AND AUDIT COMMITTEE****27 September 2023****Report by Chief Auditor****INTERNAL AUDIT ANNUAL REPORT 2022/23****PURPOSE OF REPORT**

1. To submit the Chief Auditor's Annual Report for 2022/23 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.

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4. The attached annual report (Appendix 1) contains the annual internal audit statement of assurance which concludes that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in the year ended 31 March 2023.

RECOMMENDATION

5. The Committee is asked to:

- (a) note the contents of internal audit's annual report 2022/23
- (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 2022/23.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.
M Blair, Chief Auditor
8 September 2023

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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 2022/23.

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. A good working relationship exists between internal audit and the IJB's appointed external auditors. Information on audit planning and the progress of audit work is regularly exchanged on an informal basis.
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 2022/23 Annual Governance Statements are considered for relevance to the East Renfrewshire IJB. No significant relevant issues were noted within the NHS statement or the Councils Annual Governance Statement.

ACHIEVEMENT OF 2022/23 ANNUAL AUDIT PLAN

9. The 2022/23 internal audit plan provided by the Council's internal audit team included 15 days for work specifically for the IJB and was approved by the Performance and Audit Committee on 21 September 2022. 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, carrying out follow up, preparing reports, attending committee and liaising with partner organisations and peers.

10. There are currently no outstanding IJB specific audit recommendations. Follow up work is carried out periodically on implementation of Council recommendations specific to HSCP and these are reported the Performance and Audit Committee as appropriate.

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 2022 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.

14. Azets currently provide an internal audit service on behalf of NHSGGC. In 2022/23 a total of ten audits were conducted and summary details have been separately provided to the Performance and Audit Committee as they became available.

15. None of the reports were classified as requiring immediate major improvement. Overall, there were no grade 4 recommendations in any audit report.

ANNUAL INTERNAL AUDIT OPINION

16. The ERC annual report and assurance statement for 2022/23 will be presented to the Council's Audit and Scrutiny Committee in September 2023. The statement will not highlight any significant failures in controls except for non compliance with contract standing orders which was reported following two separate audits. For noting only, concerns relating to the accuracy of calculations within the payroll system was also mentioned however it was noted that inaccuracies are unlikely to be material to the Councils accounts. These issues are all outwith the control of the IJB/HSCP and are continuing to be progressed within the Council.

17. A potentially fraudulent case which was primarily investigated during 2021/22 but was started at the end of 2020/21. It involved significant potential cost or loss to the Council. This case is still under investigation by Police Scotland and therefore the current position remains that no further information can be provided at this time. This was mentioned in the assurance statement last year but is not included in the current year assurance statement as it did not impact on assurances gained within 2022/23.

18. The internal auditors for NHSGGC have presented their annual report and assurance statement for 2022/23 to the NHS Audit and risk committee They concluded that the framework of governance and internal control provides reasonable assurance regarding the effective and efficient achievement of objectives.

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

CONCLUSION

20. 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 2023. The IJB has produced a Governance Statement which concurs with this conclusion.

INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE FOR 2022/23

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 2023.

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 2022/23 which will be submitted to the Council's Audit and Scrutiny Committee on 26 September 2023 for approval. The audit opinion concludes 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 2023 except for two matters outwith the control of the IJB/HSCP.

No significant governance issues were raised by NHSGGC's internal auditor Azets in their annual report presented to the NHSGGC Audit Committee in June 2023 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 2023
- The audit work undertaken by Azets who are the appointed auditors of NHSGGC during the year to 31 March 2023.
- Chief Auditor's knowledge of the IJB's activities for the year ended 31 March 2023.

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 2023.

Michelle Blair FCA
Chief Auditor

8 September 2023

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