



Integration Joint Board
Audit and Risk Committee

21st June 2018

This Report relates to
Item 7 on the Agenda

Internal Audit Annual Report

Paper presented by Julie Watters

For Scrutiny and Review

Approved for Submission by	Katy Lewis, Chief Finance Officer
Author	Julie Watters, Chief Internal Auditor NHS Dumfries and Galloway
List of Background Papers	Not Applicable
Appendices	Appendix 1 – Annual Internal Audit Report

SECTION 1: REPORT CONTENT

Title/Subject:	Internal Audit Annual Report
Meeting:	Audit and Risk Committee
Date:	21 st June 2018
Submitted By:	Julie Watters, Chief Internal Auditor
Action:	For Scrutiny and Review

1. Introduction

- 1.1 The purpose of this report is to update Audit and Risk Committee on delivery of the Internal Audit Plan for the Integration Joint Board (IJB) for the year 2017/18 and to detail the assurances gained from this work.

2. Recommendations

2.1 The Audit and Risk Committee is asked to:

- **Note the contents of this report which summarises the work undertaken by Internal Audit during 2017/18 and provides an opinion on the internal control environment within the Integration Joint Board at this point in time.**

3. Background

- 3.1 The Scottish Government Integrated Resources Advisory Group (IRAG) issued "Guidance for Integrated Financial Assurance" in support of the Public Bodies (Joint Working) (Scotland) Act 2014.
- 3.2 The guidance requires the Integration Joint Board (IJB) to establish adequate and proportionate internal audit arrangements for the review of risk management, governance and control of the delegated resources.
- 3.3 The internal audit plan for the IJB for 2017/18 has taken into consideration the operational delivery of services within the Health Board and Local Authority on behalf of the IJB and the assurances delivered by the individual internal audit plans approved for 2017/18 by each organisation.

4. Main Body of the Report

- 4.1 As detailed in the September 2017 Audit and Risk Committee paper, the audit plan for 2017/18 was structured to address the requirements at this point in the integration process and to recognise that assurances required at an early stage are different from those on an ongoing basis.
- 4.2 Internal Audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework of governance, risk management and control processes
- 4.3 Audit assurances to the IJB are not delivered in isolation and the internal audit functions of both the NHS and Council also deliver assurances to their own organisations that should also be considered by the IJB where relevant. The Chief Internal Auditor for the IJB has ensured that this coordination of reporting on assurances is undertaken.
- 4.4 As Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2017/18.
- 4.5 One internal audit review with direct relevance to the IJB was undertaken during the course of the year. This audit, A/01/18 – Board Governance and Decision Making - Structures examined the governance arrangements of the NHS Board with consideration given to decision making in both the Health Board and the IJB.
- 4.6 An audit from last year IJB/01/17 looked at governance within the IJB with focus on strategic planning, post-implementation review and arrangements for risk and performance management. This audit gave a Moderate level of assurance and proposed 9 recommendations for improvement. Our recent audit has found that 7 out of the 9 actions remain outstanding
- 4.7 During 2017/18 the NHS Internal Audit function delivered an audit plan which gave consideration to the audits which could also be considered in forming an overall opinion on the control environment of the IJB. The NHS audit plan and assurances gained are summarised below. The Annual Report being taken to the June NHS Audit and Risk Committee is attached in Appendix 1 for information.

Audit area	Assurance level
Board Governance and Decision Making - Structures	Moderate
Health and Safety Policy and Procedures	Limited
Nurse Revalidation (incl. Midwifery and AHPs)	Significant
Info. Gov. & Security Improvement Measures - DL17(2015)	Limited
New Hospital - Migration and Commissioning Plans	Moderate
Capacity Management	Significant
Out of Hours Service	Moderate
Child Protection	Moderate
Commissioning	Significant
Property Transaction Monitoring	Comprehensive
Losses and Compensation	Moderate
Budgetary Control - Ring Fenced Funding	Moderate
Ledger Controls and Reconciliations	Significant
Cash Control & Banking	Significant

These audits all are reported through the Health Board Audit and Risk Committee with specific focus being given to those which have a Limited Assurance level.

- 4.8 The Chief Internal Auditor of the IJB has spoken with the Chief Internal Auditor of Dumfries and Galloway Council to discuss assurances that could be gained from work they had undertaken that could be provided to the IJB. No audits from 2017/18 had a direct IJB focus, although the 2017/18 Council plan was discussed to determine that all Council areas are part of the potential plan delivered but no IJB specific audits were delivered during the course of the year.
- 4.9 It was confirmed that audits such as Payroll or Creditors – Accounts Payable would continue to sample across the whole of the Council's operations and therefore would include areas relevant to the IJB. Issues of concern would be brought forward and their implications for assurances gained around the IJB reported back to Audit and Risk Committee.
- 4.9 As Chief Internal Auditor for the IJB, this report provides an interim opinion on the internal control framework for the financial year 2017/18.

Chief Internal Auditor's opinion of the System of Internal Control 2017/18

This statement is provided for the use of Dumfries and Galloway Integration Joint Board in support of the Governance Statement for the year ended 31 March 2018.

Based on our work throughout the year, Internal Audit have concluded that:

- There were adequate and effective internal controls in place throughout the year;
- The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role;

In addition, we have not advised of any concerns around the following:

- The process adopted in reviewing the effectiveness of the system of internal control and how these are reflected

We can confirm that the NHS Dumfries and Galloway Internal Audit function complies with the Public Sector Internal Audit Standards and that the 2017/18 IJB Internal Audit plan has been delivered in line with these.

- 4.10 The above statement does not include the relevant reference to the Governance Statement as this is not yet available, therefore the following statements which would normally be included cannot be made at this time.

Statements for future inclusion would not advise concerns around the following:

- The format and content of the Governance Statement in relation to the relevant guidance,
- Consistency of the Governance Statement with the information that we are aware of from our work, or
- The disclosure of relevant issues

- 4.11 This will be brought back to Audit and Risk Committee in September in line with annual accounts sign off processes.

SECTION 2: COMPLIANCE WITH GOVERNANCE STANDARDS

5. Resource Implications

- 5.1 As the NHS audit plan had already been approved and internal resources committed to its delivery, the IJB audit plan is delivered from within this resource.
- 5.2 Future resources required will depend on the audit model considered moving forward.

6. Impact on Integration Joint Board Outcomes, Priorities and Policy

- 6.1 Internal Audit is a key element of the delivery of independent assurances around the achievement of the IJB's objectives.

7. Legal & Risk Implications

- 7.1 There are a number of limitations to the audit plan delivered in that the risk register for the IJB was not available to inform the plan and ensure that it is based on management's view of risk. This is an area that will need to be enhanced for the future.

8. Consultation

- 8.1 The IJB Chief Finance Officer and Chair and Vice Chair of the Audit and Risk Committee were consulted on the proposed audit plan and its delivery.

9. Equality and Human Rights Impact Assessment

- 9.1 The Equality Framework within NHS D&G has been considered in creating the audit plan. An equalities impact assessment has not been completed.

10. Glossary

D&GC	Dumfries and Galloway Council
IJB	Integration Joint Board
IRAG	Integrated Resources Advisory Group
NHS D&G	National Health Service Dumfries and Galloway
PSIAS	Public Sector Internal Audit Standard