



Item No. 10

Meeting Date: Wednesday 14th June 2017

Glasgow City Integration Joint Board Finance and Audit Committee

Report By: Chief Internal Auditor for the Integration Joint Board

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CHIEF INTERNAL AUDITOR'S ANNUAL REPORT 2016/17

Purpose of Report:	To present to the IJB Finance and Audit Committee the Chief Internal Auditor's Annual Report for 2016/17.
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Recommendations:	The IJB Finance and Audit Committee is asked: a) to note the Chief Internal Auditor's Annual Report for 2016/17.
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Relevance to Integration Joint Board Strategic Plan:

To provide assurance on various aspects of the Strategic Plan.

Implications for Health and Social Care Partnership:

Reference to National Health & Wellbeing Outcome:	None
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Personnel:	None
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Carers:	None
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Provider Organisations:	None
Equalities:	None
Financial:	None
Legal:	The IJB will be compliant with: - The Integrated Resource Advisory Group guidance in relation to audit provision. - The Local Authority Accounts (Scotland) Regulations 2014.
Economic Impact:	None
Sustainability:	None
Sustainable Procurement and Article 19:	None
Risk Implications:	None
Implications for Glasgow City Council:	The current internal auditors of the Council will continue to report to the Council on operational matters relating to Social Care services.
Implications for NHS Greater Glasgow & Clyde:	The current internal auditors of NHSGG&C will continue to report to the NHS Board on operational matters relating to NHS services.

1. Introduction

- 1.1 The Local Authority Accounts (Scotland) Regulations 2014 require the effectiveness of the system of internal control to be reviewed annually and the Committee to assess the efficiency and effectiveness of the Internal Audit function. The Regulations also require an Annual Governance Statement to be approved.
- 1.2 The objective of this report is to provide a review of the performance of Internal Audit for the year 2016/17 and to give an opinion on the adequacy of the Glasgow City Integration Joint Board's system of internal control.
- 1.3 Internal Audit is an independent appraisal function within Glasgow City Council (the Council), and the Head of Audit and Inspection was appointed as the Chief Auditor of the Glasgow City Integration Joint Board. The objectives of Internal Audit (taken from the Audit Charter) are to:
- examine and evaluate internal control systems and governance arrangement;
 - give assurances to Board Members and senior officials on the adequacy and robustness of these systems; and
 - assist Board Members and officers of the Glasgow City Integration Joint Board in the effective discharge of their responsibilities.
- The full Audit Charter is included at Appendix 1.
- 1.4 The work of Internal Audit is based on an annual audit plan which is prepared after a risk assessment of all potential audit issues identified by Internal Audit, senior officers, the Chief Officer and the Chief Officer Finance and Resources and takes account of the work of the external auditor, Audit Scotland.
- 1.5 Internal Audit adheres to standards and guidelines laid down by relevant bodies and professional institutions. In particular Internal Audit is required to comply with the Public Sector Internal Audit Standards (PSIAS) which have been adopted by the Relevant Internal Audit Standard Setters (RIASS). The RIASS includes, among others, HM Treasury, the Scottish Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.6 The PSIAS include key principles that public sector Internal Audit functions must follow and cover a range of areas including governance, performance standards and reporting requirements. As part of the standards, Internal Audit is required to undertake annual self-assessments. The PSIAS also introduced a requirement for an external assessment of an organisation's Internal Audit function, which must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The 2016/17 self-assessment and external assessment (undertaken in 2015/16) have confirmed

that Internal Audit conforms with the requirements of the PSIAS. A Quality Assurance and Improvement Programme is an assessment of all the work performed by the internal audit team. The Quality Assurance and Improvement Plan is included at Appendix 2.

- 1.7 The work of Internal Audit is reviewed by Audit Scotland. This allows them, where appropriate, to place reliance on the work of Internal Audit and to plan their work without duplication of effort and unnecessary disruption. Audit Scotland's review of Glasgow City Council's Internal Audit team as part of their 2016/17 external audit plan for Glasgow City Council concluded that it has sound documentation standards and reporting procedures in place and it complies with the main requirements of the Public Sector Internal Audit Standards.

The Role of the Chief Auditor

- 1.8 The CIPFA guidance in relation to "The Role of the Head of Internal Audit in Public Service Organisations" is intended to provide best practice for Heads of Internal Audit to achieve.
- 1.9 The role of the Chief Auditor for the Glasgow City Integration Joint Board meets the principles set out in CIPFA's statement.

Review of Internal Audit 2016/17

Resourcing

- 1.10 The Chief Auditor reviewed the current number of staff within Internal Audit and the skills of the team and has concluded that it is adequately resourced and has the necessary skills to carry out its function.

Audit plan management – Planned Assurance Work

- 1.11 During 2016/17 fieldwork for the following assurance reviews was completed, with a total of 35 days allocated:
- A review of the governance arrangements in place for the Integration Joint Board and thereafter that there was compliance with various aspects of these arrangements.
 - A review of the financial management arrangements in place for the Integration Joint Board.
 - A review of performance, covering the calculation and collation of performance indicators and the reporting of these to the Integration Joint Board.

- An assurance mapping exercise to map the sources of assurance

2. 2016/17 Audit issues

- 2.1 Where the audit opinion arising from an audit states that the control environment has been assessed as unsatisfactory the concerns highlighted are reported here and in the Annual Governance Statement. In 2016/17 there were no unsatisfactory audit opinions issued.
- 2.2 At its meeting in March 2017, the Board was provided with a report on the financial allocations and budget for 2017/18. The Board accepted the Chief Officer, Finance and Resources, recommendation not to accept the NHS Greater Glasgow and Clyde part of the allocated budget. This means that there is significant uncertainty over the IJB's overall budget moving into 2017/18. The 2017/18 Internal Audit plan includes a planned audit of the financial planning arrangements in place for the Integration Joint Board which will cover this area.
- 2.3 The Glasgow City IJB commissions Glasgow City Council and NHS Greater Glasgow and Clyde to provide services on its behalf. As such, any significant governance issues reported in either the Council's or NHSGGCs Annual Governance Statement are considered for relevance to the Glasgow City Integration Joint Board. There were no significant issues reported in either the Council's or NHS Greater Glasgow and Clyde's 2016/17 Annual Governance Statement relevant to the Glasgow City Integration Joint Board.

3. 2016/17 Audit Workplan

- 3.1 There was no material change to the Audit Plan approved by Committee in June 2016 and all planned fieldwork has been completed. The results of all assurance audits undertaken at the Integration Joint Board are reported to the Finance and Audit Committee and Internal Audit will undertake follow up work during 2017/18 to confirm implementation of the agreed recommendations. Committee will be provided with 6 monthly updates on this work.

4. Update on Governance Issues reported in 2015/16

- 4.1 There were no significant governance issues in 2015/16 specific to the Integration Joint Board.
- 4.2 The Council's 2015/16 Annual Governance Statements referred to a review of Business Continuity and IT Disaster Recovery Management which was subject to an unsatisfactory audit opinion and identified a number of improvement

actions for the Council and its ICT partner ACCESS. During 2016/17, a number of actions have been undertaken to strengthen the Council's resilience:

- Remedial action has taken place to improve Disaster Recovery arrangements at the Council's data centre;
- There has been a successful migration to a new purpose built back-up site, providing more storage capacity and scalability to meet future Disaster Recovery and resilience needs, and
- An IT Disaster Recovery policy is now in place and Business Continuity is now a standing agenda items at both the Council's IT Asset and ICT Advisory Boards.

Work is ongoing to determine the Council's priority applications and the required recovery timescales for these. A new Business Continuity Management Framework has been agreed and is expected to go live in June 2017. A programme of Business Continuity Plan testing has also been developed, with the first Council wide test scheduled for June 2017. Internal Audit will review the effectiveness of the new arrangements as part of the 2017/18 audit plan.

5. Opinion

- 5.1 The Glasgow City Integration Joint Board has a system of internal control designed to manage risk to a reasonable level. Internal controls cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.
- 5.2 Based on the audit work undertaken, the assurances provided and the systems in place, it is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2016/17.

Duncan Black
Chief Auditor
Glasgow City Integration Joint Board

June 2017



Internal Audit Charter

Introduction

The Internal Audit Charter formally defines the purpose, authority and responsibility of Internal Audit, in accordance with the Public Sector Internal Audit Standards (PSIAS) adopted by the Relevant Internal Audit Standard Setters.

Internal Audit is led by the Head of Audit and Inspection and reports directly to the Executive Director of Financial Services with open access to the Chief Executive.

The Internal Audit Charter will be reviewed and reported to Senior Management and Committee as appropriate.

Definitions

The PSIAS include specific definitions that have been interpreted as:

Chief Audit Executive – the Head of Audit and Inspection

Board – the appropriate Council Committee with responsibility for audit matters

Senior Management – Council senior officers

Purpose

Internal Audit is defined within the PSIAS as an independent, objective assurance and consulting activity designed to add value and improve an organisations operations.

The Head of Audit and Inspection provides the Chief Executive, senior Council officers and Elected Members with an annual opinion on the adequacy of the Council's system of internal control including the arrangements in subsidiary bodies that are incorporated into the Council's group. It is management's responsibility to implement and maintain effective internal control systems within its area of responsibility. It is Internal Audit's role to assist management by reviewing and evaluating the effectiveness of those control systems.

Role of the Head of Audit and Inspection

The CIPFA guidance in relation to “The Role of the Head of Internal Audit in Public Service Organisations” is intended to provide best practice for Chief Audit Executives to achieve, and for audit committees to measure Internal Audit against. The statement sets out an overarching principles-based framework which applies across the UK public sector. It states that the Chief Audit Executive plays a critical role in delivering an organisation’s strategic objectives by:

- championing best practice in governance and management, objectively assessing the adequacy of the management of existing risks, and commenting on responses to emerging risks and proposed developments; and
- giving an objective and evidence-based opinion on all aspects of governance, risk management and internal control.

Authority

Internal Audit’s authority is derived from policies, procedures, rules and regulations established by the Council. These include, but are not limited to, the Financial Regulations, the Whistleblowing and Response Policy and the Code of Conduct.

Internal Audit:

- Has unrestricted access to all Council records, cash, property, assets and people, where necessary on demand and without prior notice;
- Can obtain explanations as is required to satisfy the probity of any matter under consideration;
- Can require the production of any records and other such property as is deemed necessary, and
- Requires all senior officers to report all actual or perceived losses (cash, stock, equipment or data), all suspected or actual instances of theft, embezzlement, fraud, corruption or any other impropriety.

Scope

The scope of Internal Audit’s work includes:

- All Council systems, processes, policies, plans and procedures;
- Use and safeguarding of resources and assets, including data;
- Governance and risk management processes;
- Commissioning and procurement;
- Projects and programmes;
- Whistleblowing and Fraud, including investigation of allegations of fraud and corruption;
- All subsidiary and associate organisations that form part of the Council group;
- Strathclyde Pension Fund;
- Glasgow City Integration Joint Board;
- Glasgow City Region Cabinet, and
- Other section 106 bodies.

Resourcing and Audit Planning

In line with PSIAS requirements Internal Audit develops a risk based audit plan which enables the Head of Audit and Inspection to provide an annual opinion on the adequacy of

the Council's system of internal control. The plan is developed through an assessment of risk and assurance needs and is sufficiently flexible to reflect changing organisational risks and priorities. It is submitted to the appropriate Council Committee with responsibility for audit.

The annual audit plan sets out the planned audit resources for the year with the objective of giving an evidence-based opinion. It is the Head of Audit and Inspection's responsibility to ensure that Internal Audit is adequately resourced in order to carry out its function.

Independence and Objectivity

The PSIAS define independence as "freedom from conditions that threaten the ability of the Internal Audit activity to carry out its responsibilities in an unbiased manner". To assist Internal Audit to carry out the role and constructively challenge senior managers of the Council, the Head of Audit and Inspection holds a sufficiently senior position in the Council. Senior Officers and those charged with governance have input into the annual audit plan however they do not direct the plan.

Auditors challenge, on the basis of objective evidence, decisions, policies or practices they consider inappropriate or in need of improvement, no matter who is involved in the decision making. It is essential for Council officers and Elected Members to recognise Internal Audit's role and responsibilities and accept Internal Audit comment and advice in this spirit, giving a reasoned response if they take a different view.

Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activities or processes audited. They make a balanced assessment of relevant circumstances and are not unduly influenced in forming judgements by their own interests or others.

Objectivity and independence in the provision of advice and guidance are maintained, and conflicts of interest avoided. Internal Audit has no operational responsibility for, or authority over, activities audited and all officers undertaking audit work are required to complete declarations of interest annually, including "nil" returns. Where Internal Audit officers are deemed to have operational involvement, they must remove themselves from any related Internal Audit activity.

Other Work

Internal Audit will consider all requests for additional work, outwith the audit plan, on agreement with relevant senior officers. This includes attendance at working groups and offering advice and guidance.

In addition Internal Audit will seek opportunities to share expertise with other public sector organisations, where resources permit and where there is no impact on the ability to deliver the level of assurance required to enable the Head of Audit and Inspection to provide an annual opinion.

Quality

All Internal Audit work is undertaken in compliance with the PSIAS and is subject to regular internal quality reviews, with the results of these reviews reported to a Quality Management Review Team. External quality reviews are also undertaken through a 5-yearly external quality assessment. Internal Audit is also ISO9001 quality accredited, which is reviewed annually.

APPENDIX 2

Glasgow City Council – Internal Audit

Quality Assurance and Improvement Programme (QAIP)

Introduction

Internal Audit's Quality Assurance and Improvement Programme (QAIP) is designed to provide reasonable assurance to the various stakeholders of Glasgow City Council Internal Audit Services that Internal Audit:

1. Performs its work in accordance with its Audit Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing, Code of Ethics and ISO 9001: 2008,
2. Operates in an efficient and effective manners; and
3. Is adding value and continually improving Internal Audit operations.

The Head of Audit and Inspection is ultimately responsible for the QAIP, which covers all types of Internal Audit activities, including Audit Glasgow activity. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

Internal Assessment

Internal assessment is made up of both ongoing reviews and periodic reviews.

Ongoing reviews

Ongoing assessments are conducted through:

- Audit Manager supervision of audit assignments
- Audit Manager review of electronic working papers and associated evidence during each audit assignment
- Audit policies and procedures used for each audit assignments including the Audit Manual, and Quality Policies and Guidance Notes to ensure compliance with applicable planning, fieldwork and reporting standards.
- Customer surveys for audit assignments to gain client feedback which feeds through to improvement plans and opportunities for improvement.
- Analysis of key performance indicators to manage Internal Audit effectiveness and efficiency

- All draft and final reports are reviewed by a member of the Internal Audit Senior Management team prior to issue.

Periodic reviews

Periodic assessments are designed to assess conformance with the Audit Charter, the Public Sector Internal Audit Standards, Definition of Internal Auditing, the Code of Ethics and the Quality procedures and are conducted through:

- Internal quality audits undertaken in accordance with the Internal Audit Quality Procedures.
- Review of internal audit performance key performance indicators by the Senior Management team.
- Monthly Managers meetings to discuss ongoing performance issues and delivery of the Audit Plan
- Quarterly activity and performance reporting to the Financial Services Leadership Team
- Annual self assessment review of compliance with the Public Sector Internal Audit Standards
- 6 monthly activity and performance reporting to Extended Corporate Management Team (the Council's Corporate Management Team plus all Managing Directors/Chief Executives of the Council's Arms Length External Organisations).
- 6 monthly activity and performance reporting to Elected Members through the the Committee responsible for Audit matters.
- Head of Audit and Inspection's Annual Report to Elected Members on internal audit activity for the previous year.

External Assessment

External Assessment will appraise and express an opinion about Internal Audits conformance with Standards.

An External Quality Assessment (EQA) will be conducted every five years by a qualified, independent assessor from outwith the Council. The current EQA was undertaken by Manchester City Council during 2015/16 and is therefore not due again until 2020/21.

An annual review, and three-year re-certification review is undertaken by British Standards assessors as a requirement of our ISO9001:2008 accreditation. The latest review was undertaken in April 2017.

Annual review by Audit Scotland (the Council's External Auditors) on the assessment of Internal Audit reported to Chief Executive and the Council Committee responsible for Audit matters.

Reporting

Internal Assessments – reports on internal assessments are reported to the Internal Audit Senior Management Team, the Financial Services Leadership Team and the Council Committee responsible for Audit matters.

External Assessments – results of external assessments will be reported to the Council Committee responsible for Audit matters, the Chief Executive and Executive Director of Financial Services.

Follow up – the Head of Audit and Inspection will be responsible for implementing all agreed actions arising from both internal and external assessments within the agreed timeframes.