



Item No. 6

Meeting Date

Wednesday 9th September 2020

**Glasgow City
Integration Joint Board
Finance, Audit and Scrutiny Committee**

Report By: Chief Internal Auditor for the Integration Joint Board

Contact: Duncan Black, Chief Internal Auditor

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CHIEF INTERNAL AUDITOR'S ANNUAL REPORT 2019/20

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| Purpose of Report: | To present to the IJB Finance, Audit and Scrutiny Committee the Chief Internal Auditor's Annual Report for 2019/20. |
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| Background/Engagement: | The Integration Joint Board is required to comply with Article 7 of the Local Authority Accounts (Scotland) Regulations 2014. The regulations requires a local authority to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing. |
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| Recommendations: | The IJB Finance, Audit and Scrutiny Committee is asked to: a) note the report. |
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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:

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| Reference to National Health & Wellbeing Outcome: | N/A |
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| Personnel: | None |
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| Carers: | None |
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| Provider Organisations: | None |
| Equalities: | None |
| Fairer Scotland Compliance: | 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 internal auditors of the Council will continue to report to the Council on operational matters relating to Social Care services in the first instance. |
| 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 in the first instance. |

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 2019/20 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

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- assist Board Members, the Chief Officer and other 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 2019/20 self-assessment and external assessment (undertaken in 2015/16) have confirmed that the Internal Audit function conforms with the requirements of the PSIAS. The next external assessment is due to be undertaken on the entire Internal Audit function during 2020/21 by Birmingham City Council. The IJB will be able to place reliance on this overall external assessment.
- 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 confirmed that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the PSIAS.

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 2019/20

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.

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Table 1. Audit Team – Establishment (as at 31 March)

| | | 2018/19 | 2019/20 |
|---|--|---------|---------|
| 1 | Number of CCAB Qualified staff (FTE*) | 15.18 | 17.09 |
| 2 | Number of PINS Qualified staff (FTE) | 6.9 | 6.81 |
| 3 | Number of IT Professional officers (FTE) | 1 | 0 |
| 3 | Number of Trainees (FTE) | 3 | 5 |
| 4 | Number of Technical/Administrative staff (FTE) | 2 | 0 |
| 5 | Training Days (incl professional qualification) | 123 | 157 |
| 6 | Training Days per Staff Member | 4.39 | 5.4 |
| 7 | Sickness absence per staff member (annual target 5 days) | 3.96 | 2.6 |

* Full Time Equivalent

Audit plan management – Planned Assurance Work

1.11 During 2019/20 fieldwork for the following assurance reviews was completed, with a total of 45 days allocated:

- Governance, policies and procedures
- Set Aside budgets
- ICT and information management arrangements

2. 2019/20 Audit Workplan

2.1 There was no material change to the Audit Plan approved by Committee in April 2019. The results of assurance audits undertaken at the Integration Joint Board are reported to the Finance, Audit and Scrutiny Committee and Internal Audit will undertake follow up work during 2020/21 to confirm implementation of the agreed recommendations. Committee will be provided with regular updates on this work.

2.2 The review of Governance, policies and procedures has been completed and was reported to the Committee on 11 December 2019.

2.3 During our fieldwork on set aside arrangements, we found that the IJB is not currently compliant with the requirements set out by the Integration Scheme or the Scottish Government in relation to set aside. We understand this is a common position across Scotland. However, there is evidence to demonstrate that arrangements are currently being put in place in Glasgow to help drive service delivery changes aimed at shifting the balance of care from hospitals to the community and reducing hospital unscheduled care levels. As these developments are still at an early stage, we have paused the audit and will undertake further assurance work at the appropriate point in 2020/21 or 2021/22 to assess the adequacy of the processes being adopted and how these align with the expectations set out in the Integration Scheme. A further report will be brought to the Committee at that stage.

2.4 Our work on ICT focussed on gaining an understanding of the arrangements in place in relation to ICT and information management and how these help to support

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the delivery of the IJB's ICT strategic priorities. Further work will be undertaken in 2020/21 to review the adequacy of the processes being adopted and how these align with the expectations within the IJB strategic plan.

3. 2019/20 Audit issues

- 3.1 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 2019/20 there were no unsatisfactory audit opinions issued.
- 3.2 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 Council's 2019/20 Annual Governance Statement relevant to the Glasgow City Integration Joint Board. The NHS Greater Glasgow and Clyde Annual Governance Statement has been delayed for 2019/20 as a result of the COVID-19 pandemic. When the NHS Greater Glasgow and Clyde Annual Governance Statement is available this will be reviewed and any significant governance issues relevant to the Glasgow City Integration Joint Board will be reported back.

4. Update on Governance Issues previously reported

- 4.1 There has only been one significant governance issue previously reported specific to the IJB, in relation to financial planning. Significant uncertainty over the IJB budget for 2017/18 improved slightly in 2018/19 but arose again in 2019/20. In 2019/20 the Board accepted the recommendation by the Chief Officer, Finance and Resources to accept the allocation from Glasgow City Council subject to the joint development of a financially sustainable solution for both Homecare and Housing First by September 2019. The Board also accepted the Chief Officer, Finance and Resources, recommendation to conditionally accept the indicative funding allocation from NHS Greater Glasgow and Clyde, subject to confirmation in April 2019.
- 4.2 A similar theme continues in relation to the ongoing funding allocation to the IJB. At its meeting in March 2020, the Board further considered a report on the financial allocations and budget for 2020/21 noting that a financially sustainable solution for Homecare has yet to be agreed with Glasgow City Council. The Board accepted the recommendation to conditionally accept the funding offer from the Council on the basis that funding of Homecare Services continues to be discussed with Glasgow City Council. The indicative funding offer from NHS Greater Glasgow and Clyde was conditionally accepted subject to confirmation in April 2020.

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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 The impact of Covid-19 in March 2020 was a significant event, impacting normal business operations and risk assessments. As a result of the changes to the working arrangements arising from the pandemic response, in March 2020 many of the expected systems and controls will have been subject to change. The opinion expressed in this report therefore applies only to the period before the emergency service delivery arrangements were put in place.
- 5.3 Based on the audit work undertaken, the assurances provided by the Chief Officers of the IJB, Executive Directors of Glasgow City Council Services, and the Senior Management Teams of services within NHS Greater Glasgow and Clyde it is the Chief Internal Auditor's opinion that reasonable assurance can be placed upon the control environment which operated during 2019/20 within the IJB for the period up to the impact of Covid-19 in March 2020. The 2020/21 internal audit plan is being updated to reflect the new risks and issues emerging from the COVID-19 pandemic and this will be reported to the Finance, Audit and Scrutiny Committee in due course.

6. Recommendations

- 6.1 The IJB Finance and Audit Committee is asked to:
- a) Note the content of the report.

Duncan Black
Chief Auditor
Glasgow City Integration Joint Board

June 2020



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Internal Audit Charter

APPENDIX 1

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.

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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

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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.