



Item No. 6

Meeting Date 17 June 2016

Integration Joint Board Finance and Audit Committee

Report By: Chief Internal Auditor to the Integrated Joint Board

Contact: Duncan Black, Head of Audit & Inspection

Tel: 0141 287 4053

CHIEF INTERNAL AUDITOR'S ANNUAL REPORT 2015/16

Purpose of Report:	To present to the Finance and Audit Committee the Chief Internal Auditor's Annual Report for 2015/16.
---------------------------	---

Recommendations:	The Finance and Audit Committee is asked to note the Chief Internal Auditor's Annual Report for 2015/16.
-------------------------	--

Implications for IJB:

Financial:	None
-------------------	------

Personnel:	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
--	------

Equalities:	None
--------------------	------

Implications for Glasgow City Council:	None
---	------

Implications for NHS Greater Glasgow & Clyde:	None
--	------

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 2015/16 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 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.
- 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 2015/16 self-

assessment and external assessment have confirmed that Internal Audit conforms with the requirements of the PSIAS. An action plan has been developed to further enhance the Internal Audit service. A link to the report is provided below.

[Compliance with Public sector Internal Audit Standards - External Quality Assessment - 2015/16](#)

- 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 2015/16 external audit plan for Glasgow City Council confirmed that the Internal Audit team complies with PSIAS and has sound documentation and reporting processes in place. They have confirmed that they will continue to place formal reliance on the work of Internal Audit but have suggested that Internal Audit could improve its reporting on quality improvement work, and noted that Internal Audit intends to report on quality improvement to members more frequently.

2. The Role of the Chief Auditor

- 2.1 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.
- 2.2 The role of the Chief Auditor for the Glasgow City Integration Joint Board meets the principles set out in CIPFA's statement.

3. Review of Internal Audit 2015/16

Staffing

- 3.1 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

- 3.2 As the Glasgow City Integration Joint Board was only formed on 6th February 2016, there was no audit plan for Internal Audit for 2015/16.

3.3 The Internal Audit teams for Glasgow City Council and NHS Greater Glasgow and Clyde have undertaken planned work through 2015/16 which cover areas of activities which were delegated as of 1 April 2016.

4. 2015/16 Audit issues

4.1 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 2015/16 there were no unsatisfactory audit opinions issued.

4.2 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. The Council's 2015/16 Annual Governance Statement included reference to an audit of Business Continuity and IT Disaster Recovery Management, which was subject to an unsatisfactory audit opinion.

On 15 December 2015 an incident involving the air handling unit and fire suppression system occurred in the Council's primary data centre. The incident caused significant disruption to the Council's ICT systems. Whilst key business operations were able to continue, such as payments processing and access to social care information, the incident caused significant disruption across the Council group. The Council continues to investigate the incident and conduct lessons-learned reviews. An Internal Audit into Disaster Recovery and Business Continuity controls concluded that the control environment was unsatisfactory and has identified a number of improvement actions for the Council and its ICT partner ACCESS. The incident has highlighted the need to improve the ICT disaster recovery and business continuity controls, including those for the Carefirst, the Council's social care management system, and associated applications.

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 with the exception of those matters listed above, reasonable assurance can be placed upon the adequacy and effectiveness of the governance and control environment which operated during 2015/16.

**Duncan Black
Chief Auditor
Glasgow City Integration Joint Board
2016**

June