



Item No. 6

Meeting Date

Wednesday 14th June 2023

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

Report By: Chief Internal Auditor for the Integration Joint Board

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CIPFA Audit Committee Guidance

Purpose of Report:

To present to the Glasgow City Integration Joint Board Finance, Audit and Scrutiny Committee details of the main elements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Guidance in relation to Audit Committees. The report also includes a self-assessment of compliance with the guidance and recommendations to improve compliance.

Background/Engagement:

The Integrated Joint Board is required to comply with Article 7 of the Local Authority Accounts (Scotland) Regulations 2014. The regulations require a local authority to operate a professional and objective internal auditing service in accordance with recognised standards and practices in relation to internal auditing.

Governance Route:

The matters contained within this paper have been previously considered by the following group(s) as part of its development.

- HSCP Senior Management Team ☐
- Council Corporate Management Team ☐
- Health Board Corporate Management Team ☐
- Council Committee ☐
- Update requested by IJB ☐
- Other ☐
- Not Applicable ☒

Recommendations:	<p>The IJB Finance, Audit and Scrutiny Committee is asked to:</p> <ul style="list-style-type: none"> a) Note the content of the report, and b) Agree the further action required as set out in Appendix 1 to improve compliance with the CIPFA guidance.
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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 from this report
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Personnel:	None arising from this report
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Carers:	None arising from this report
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Provider Organisations:	None arising from this report
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Equalities:	None arising from this report
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Fairer Scotland Compliance:	None arising from this report
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Financial:	None arising from this report
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Legal:	The IJB will be compliant with the CIPFA Audit Committee guidance.
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Economic Impact:	None arising from this report
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Sustainability:	None arising from this report
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Sustainable Procurement and Article 19:	None arising from this report
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Risk Implications:	Internal Audit facilitates the reduction of risks identified during the audit process.
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Implications for Glasgow City Council:	The Internal Auditors of Glasgow City Council will continue to report to the Council on operational matters relating to Social Care services.
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Implications for NHS Greater Glasgow & Clyde:	The Internal Auditors of the NHSGG&C will continue to report to the NHS Board on operational matters relating to NHS services.
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1. Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) published guidance in late 2022 for local authority Audit Committees. The purpose of the guidance is to support Audit Committee members in fulfilling their role on the Audit Committee.
- 1.2 This report provides a self-assessment of the IJB's compliance with the main elements of the guidance and details opportunities to improve compliance.
- 1.3 The full guidance is available from the Head of Audit and Inspection.

2. The Audit Committee

- 2.1 The Audit Committee is a key part of an organisation's governance arrangements and one of its key roles is ensuring that there is sufficient assurance over the governance risk and control framework. It can be a valuable resource for the whole organisation.

The main areas where the Audit Committee can exert influence and add value are:



3. Core Functions of the Audit Committee

3.1 The three core functions of the Audit Committee as detailed in the CIPFA guidance are:

1. Maintenance of governance, risk and control arrangements:
 - Supporting a comprehensive understanding of governance across the organisation
 - Considering the risk management arrangements
 - Monitoring the effectiveness of internal control
2. Financial and Governance reporting:
 - Reviewing the Annual Governance Questionnaire
 - Supporting effective financial reporting arrangements
3. Establishment of appropriate and effective arrangements for audit and assurance (internal and external audit):
 - Overseeing the independence, objectivity, performance and professionalism of Internal Audit.
 - Supporting the effectiveness of the Internal Audit process
 - Promoting the effective use of Internal Audit.
 - Considering the opinion, reports and recommendations of External Audit
 - Supporting effective relationships between all providers of assurance.

3.2 The CIPFA guidance also sets out that the Audit Committee should be independent from other Committees within the organisation.

4. Self-Assessment of Compliance

4.1 An assessment of the Council's compliance with the requirements of the new guidance is detailed in Appendix 1 and there are a number of recommendations set out.

5. Recommendations

5.1 The IJB Finance, Audit and Scrutiny Committee is asked to:

- a) Note the content of the report, and
- b) Agree the further actions required as set out in Appendix 1 to improve compliance with the CIPFA guidance.

Self-Assessment

APPENDIX 1

Compliance with the requirements of the CIPFA Audit Committee Guidance

	CIPFA Guidance Requirement	Current Status	Future work to fully implement guidance
1.	The Audit Committee should have a role in ensuring that there is sufficient assurance over governance risk and control.	Finance, Audit and Scrutiny Committee (FASC) Terms of Reference includes the following: "monitoring the financial and operational performance of the Glasgow City Health and Social Care Partnership; reviewing audit and inspection reports; promoting the observance of high standards of financial propriety; and for receiving updates on and scrutinising progress with key pieces of work across the Health and Social Care system".	
2.	The Audit Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability	Included within the FASC Terms of Reference	
3.	The Audit Committee should be directly accountable to the authority's governing body	The FASC is a scrutiny committee directly accountable to the Integration Joint Board, which is the overall governing body.	
4.	In local authorities, the Audit Committee should be independent of both the executive and the scrutiny function (in this context scrutiny is referring to the scrutiny of performance information).	FASC is independent of the executive however its remit does include the scrutiny function, in relation to finance, audit and performance.	Consideration should be given to the practicalities of removing the scrutiny of performance from the remit of the FASC.

	CIPFA Guidance Requirement	Current Status	Future work to fully implement guidance
			If deemed impractical, then consideration should be given to restructuring the agenda of FASC meetings to keep all Audit items together on the agenda.
5.	The Audit Committee has right of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups	FASC does have constructive engagement with other committees if required. The Committee is able to refer matters to the Board, and there is feedback from both committees to the full IJB. All IJB members are also issued with all the papers for each FASC meeting and each Public Engagement meeting.	
6.	The Audit Committee has the right to request reports and seek assurances from relevant officers.	The Audit Committee has a schedule of meetings that is agreed prior to the start of the calendar year. The Chief Officer, Finance & Resources is the appointed sponsor of FASC and ensures that the relevant papers are taken over the annual cycle. There are standing items on the agenda and other items which come to specific meetings throughout the year such as the annual audit plans. Additional reports can be requested as required. The Committee can request relevant	Consideration should be given to having the workplan agreed and minuted by the Committee on an annual basis.

	CIPFA Guidance Requirement	Current Status	Future work to fully implement guidance
		<p>officers to attend to respond to specific areas / questions.</p> <p>A workplan is maintained internally for FASC, however it is not taken to the FASC meeting for agreement.</p>	
7.	The Audit Committee should be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided	The Committee currently has six voting members (3 each from Glasgow City Council and NHS Greater Glasgow and Clyde) and two non voting member (the Chief Officer, Finance & Resources) and an independent sector representative.	
8.	<p>The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.</p> <p>Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.</p>	The terms of reference for FASC includes the option for up to two non-voting members. The appointment of a further non voting, independent member from the IJB to FASC is due to take place in June 2023.	
9.	<p>The core functions of the Audit Committee are included within the terms of reference:</p> <ul style="list-style-type: none"> - Governance arrangements - Risk management arrangements - Internal control arrangements - Annual Governance Statement - Financial reporting 	Covered within the FASC terms of reference.	

	CIPFA Guidance Requirement	Current Status	Future work to fully implement guidance
	<ul style="list-style-type: none"> - Assurance framework - Internal Audit - External Audit 		
	Maintenance of governance, risk and control arrangements:		
10.	The Audit Committee should support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.	Induction training was carried out following the appointment of new members to the IJB. Training is provided by the Chief Officer and the Standards officer and a pack of information is provided to the member upon joining the IJB. There are also regular Board Development sessions which are used to provide additional training/briefing as required. However, there are no routine training needs assessments undertaken.	Consideration of development of a Committee training programme to ensure all key areas are covered on a regular basis.
11.	The Audit Committee should consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.	The risk register(s) are presented to the FASC meeting on a regular basis. An annual risk management update is provided by the Risk Manager.	
12.	The Audit Committee should monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics, and managing the exposure to the risks of fraud and corruption	The annual Internal Audit plan covers aspects of financial management, supporting standards and ethics and managing exposure to risks of fraud and corruption.	

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	Financial and governance reporting:		
13.	The Audit Committee should be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives	Draft Annual Governance Statement included as part of the unaudited accounts pack presented to Committee each year.	
14.	The Audit Committee should support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.	Draft Annual Accounts are considered at the FASC meeting as required by the Local Government (Scotland) Accounts regulations. The external audit plan and reports are also presented in full each year.	
	Establishing appropriate and effective arrangements for audit and assurance:		
15.	The Audit Committee should consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities	The Internal Audit plan presented to the FASC meeting covers the strategic elements of the IJBs responsibilities. The report also refers to the Internal Audit plans for Glasgow City Council and NHS Greater Glasgow and Clyde which are of relevance to the IJB. FASC is provided with a 6 monthly update on the work of the Internal Auditors of Glasgow City Council and NHS Greater Glasgow and Clyde that may be of relevance to the IJB.	

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16.	<p>In relation to the authority's internal audit functions, the Audit Committee should:</p> <ul style="list-style-type: none"> - oversee its independence, objectivity, performance, and conformance to professional standards - support effective arrangements for internal audit - promote the effective use of internal audit within the assurance framework 	<p>Regular reporting from the Chief Internal Auditor on the work of Internal Audit. This includes the Annual Audit Plan, 6 monthly update report and Annual Report, as well as ad hoc reporting as required. Both the Annual Audit Plan and Annual Report provide information in relation to independence and assurance.</p> <p>With the annual report also providing performance information in relation to the Internal Audit team.</p>	
17.	<p>The Audit Committee should consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.</p>	<p>The Annual Audit Plan from External Audit presented to FASC as is the annual report.</p> <p>Regular inspection reports from Health Improvement Scotland, the Care Inspectorate and Mental Health Welfare Commission are also presented to FASC.</p>	
18.	<p>The Audit Committee should contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.</p>	<p>The IJBs Internal and External Auditors regularly present reports to the FASC.</p> <p>Members on the FASC challenge the auditors in the same way as they do with officers who are presenting reports.</p>	

	CIPFA Guidance Requirement	Current Status	Future work to fully implement guidance
19.	The Audit Committee should support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review, and accountability	The Chief Internal Auditor has open access to the Chair of the FASC and senior officers as necessary.	
	Audit committee membership:		
20.	To provide the level of expertise and understanding required of the Committee, and to have an appropriate level of influence within the authority, the members of the Audit Committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience	Elected Members who serve on the FASC, are selected by the relevant political parties. NHS Greater Glasgow and Clyde board members are selected by the NHS Board. Non voting members are appointed by the IJB, with one appointed in January 2023 and a further one due to be appointed to the FASC in June 2023.	As outlined above, consideration of development of an annual training plan for all members of the FASC to ensure that training is provided on all aspects of responsibilities.
21.	The Audit Committee should have a membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable	All IJB Board Members received training upon appointment. Board Development sessions also undertaken regularly.	As part of the annual training plan to be considered for all members of the FASC, ensuring that training is provided on all aspects of responsibilities.
22.	The Audit Committee members should promote good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.	FASC demonstrates this requirement, with the support of lead officers, Internal Audit and External Audit.	
23.	There should be a strong, independently minded chair of the Audit Committee, who displays a depth of knowledge,	Chair rotates between Glasgow City Council member and NHS Greater Glasgow and Clyde member.	

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	skills, and interest. There are many personal skills needed to be an effective chair, but key to these are: <ul style="list-style-type: none"> - promoting apolitical open discussion - managing meetings to cover all business and encouraging a candid approach from all participants - maintaining the focus of the committee on matters of greatest priority 	No matter who is the Chair, it remains an apolitical meeting. The Chair is provided support by senior officers. An annual report is provided from FASC to the full IJB.	
24.	The Audit Committee should have a willingness to operate in an apolitical manner	The Committee is made up of 3 Glasgow City Council Elected Members and 3 NHS Greater Glasgow and Clyde Board Members. The Committee Chair rotates every two years between a GCC Elected Member and an NHS Greater Glasgow and Clyde Board Member. The mix of membership ensures that it operates in an apolitical manner.	
25.	The Audit Committee members should have an unbiased attitude – treating auditors, the executive and management fairly	Members of the Audit Committee treat all officers fairly.	
26.	The members of the Audit Committee should have the ability to challenge the executive and senior managers when required	Members of the Audit Committee treat officers fairly however they also challenge officers with questions on reports.	

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27.	The members of the Audit Committee should have knowledge, expertise and interest in the work of the committee.	Covered as part of the Board Development sessions undertaken regularly. Ad hoc training is also undertaken as required.	
28.	While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.	Regular Board Development sessions are undertaken and ad hoc training is provided as required.	
29.	The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members	One independent member was appointed in January 2023 and a further independent member is due to be appointed to the FASC in June 2023. Both appointments are approved by the full IJB.	
	Engagement and outputs:		
30.	The Audit Committee should meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.	The Committee meets in general 6 times per annum. The Local Government (Access to Information) Act 1985 sets out the default position for Committee reports and meetings. Requiring that reports are published in advance and that meetings are open to the public, unless certain conditions are met. Exempt information is detailed under Schedule 7a of the Act. Officers will seek legal advice to determine if an exemption should be applied.	

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31.	The Audit Committee should be able to meet privately and separately with the external auditor and with the Head of internal audit	That option is available at either the request of the Audit Committee, or the External Auditor/Chief Internal Auditor.	
32	The Audit Committee should include, as regular attendees, the Chief Finance Officer(s), the Chief Executive, the Head of Internal Audit and the appointed external auditor; other attendees may include the Monitoring Officer and the Head of Resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required	The Chief Officer, Finance and Resources, Chief Internal Auditor, Head of Business Development, Chief Officer, HR and Assistant Chief Officer Finance regularly attend the FASC meetings. Currently the Chief Officer does not routinely attend every meeting, however if required or requested to attend then this would take place.	
33.	The Audit Committee has the right to call on any other officers or agencies of the authority as required	This happens on a regular basis and the attendees depends on the reports and issues being presented.	
34.	The Audit Committee supports transparency, reporting regularly on its work to those charged with governance	The Committee provides an annual report to the full IJB on the performance areas that FASC has considered. In addition, the full papers from FASC are issued to all IJB members.	The annual report to the full IJB should be expanded to include how FASC has discharged its responsibilities and include an assessment of the performance of the Committee.
35.	The Audit Committee reports annually on how it has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The Committee should also evaluate how it is adding value to the organisation. The report should be available to the public.	The Committee provides an annual report to the full IJB however this is related to the performance element of the remit.	

	CIPFA Guidance Requirement	Current Status	Future work to fully implement guidance
36.	The Committee should evaluate its impact and identify areas for improvement.	This is an area for improvement.	
37.	The Committee makes recommendations for the improvement of governance, risk and control arrangements.	The Committee does not do this, however the Committee accepts the recommendations of Internal/External Audit/External Inspection agencies in relation to improving governance, risk or control. Recommendations from Internal Audit are subject to ongoing monitoring and reporting.	