



# Item No. 7

Meeting Date **Wednesday 12<sup>th</sup> June 2024**

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

**Report By:** Chief Internal Auditor for the Integration Joint Board

**Contact:** Duncan Black

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### **Chief Internal Auditor's Annual Report 2023/24**

<b>Purpose of Report:</b>	To present to the IJB Finance, Audit and Scrutiny Committee the Chief Internal Auditor's Annual Report for 2023/24.
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<b>Background/ Engagement:</b>	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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<b>Governance Route:</b>	The matters contained within this paper have been previously considered by the following group(s) as part of its development.  HSCP Senior Management Team <input type="checkbox"/> Council Corporate Management Team <input type="checkbox"/> Health Board Corporate Management Team <input type="checkbox"/> Council Committee <input type="checkbox"/> Update requested by IJB <input type="checkbox"/> Other <input type="checkbox"/> (please note below) Not Applicable <input checked="" type="checkbox"/>
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<b>Recommendations:</b>	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:

<b>Reference to National Health &amp; Wellbeing Outcome:</b>	N/A
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<b>Personnel:</b>	None arising from this report
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<b>Carers:</b>	None arising from this report
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<b>Provider Organisations:</b>	None arising from this report
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<b>Equalities:</b>	None arising from this report
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<b>Fairer Scotland Compliance:</b>	None arising from this report
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<b>Financial:</b>	None arising from this report
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<b>Legal:</b>	The IJB will be compliant with: - The Integrated Resource Advisory Group guidance in relation to audit provision. - The Local Authority Accounts (Scotland) Regulations 2014
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<b>Economic Impact:</b>	None arising from this report
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<b>Sustainability:</b>	None arising from this report
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<b>Sustainable Procurement and Article 19:</b>	None arising from this report
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<b>Risk Implications:</b>	None arising from this report
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<b>Implications for Glasgow City Council:</b>	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.
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<b>Implications for NHS Greater Glasgow &amp; Clyde:</b>	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.
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### 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 2023/24 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, the Chief Officer and other 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, EY.
- 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 2023/24 self-assessment and external assessment undertaken in 2020/21 by Birmingham City Council have confirmed that Internal Audit conforms with the requirements of the PSIAS. The next external assessment is due in 2026. A Quality

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Assurance and Improvement Programme (QAIP) is in place to further enhance the Internal Audit service (Appendix 1).

### The Role of the Chief Auditor

- 1.7 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.
- 1.8 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 2023/24

#### Resourcing

- 1.9 The Head of Audit and Inspection 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. Summary information for the Internal Audit team as a whole is provided in Table 1 below.

**Table 1. GCC Group Audit Team – Establishment (as at 31<sup>st</sup> March 2024)**

		2022/23	2023/24
1	Number of CCAB Qualified staff (FTE)	16.68	17.69
2	Number of staff with a recognised Fraud Qualification (FTE)	5.5	4.6
3	Number of Trainees (FTE)	11	9
4	Training Days (incl professional qualification)	323.5	271
5	Training Days per Staff Member	9.8	8.7
6	Sickness absence per staff member (annual target 5 days)	1.8	4.9

\* Full Time Equivalent

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### Performance

#### 1.10 Table 2. 2023/24 Internal Audit Annual Service Plan and Improvement Report (ASPIR) targets

	ASPIR target	2024/25
1	Complete all required fieldwork to prepare the Annual Opinion	<b>Complete</b> [Note 1]
2	Maintain British Standards Institute ISO 9001:2015 accreditation	<b>Compliant</b>
3	Internal and External quality assessments against Public Sector Internal Audit Standards	<b>Compliant</b>

Note 1: Due to staff absence in the audit team during the Financial Management audit fieldwork in quarter 4, there are some elements of this fieldwork that were still ongoing at the year end. However, overall sufficient fieldwork has been completed in order to form the annual opinion.

### 2. Audit plan management – Planned Assurance Work

2.1 During 2023/24 fieldwork for the following assurance reviews were completed, with a total of 40 days allocated:

- Provider Sustainability;
- Directions and Interactions, and
- Financial Management [Note 1, above].

2.2 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 2024/25 to confirm implementation of the agreed recommendations. Committee will be provided with regular updates on this work.

2.3 An annual governance self assessment questionnaire has been completed by the Senior Management team within the Health and Social Care Partnership. This questionnaire enables the Senior Management team to assess compliance with a number of governance areas across the business such as strategic planning, leadership and integrity.

### 3. Update on previously reported Audit issues

3.1 In January 2023, a failed update to the Council's SAP ERP system resulted in a significant period of downtime for this key system, impacting Accounts Payable/Receivable, Payroll, Treasury and Banking, and Financial Ledger reporting. This impacted on the ability to report financial performance to the IJB between January and March 2023. The system was fully functional for 2023/24 and the 2022/23 outturn position was verified and reported following additional assurance activity over transactions occurring in the affected period. A lessons learned exercise has been conducted by the Council and its ICT provider with a view to preventing any recurrence. Internal Audit is currently reviewing that work and findings will be reported to the Finance and Audit Scrutiny Committee.

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3.2 The 2021/22 Annual Governance Statement included the unsatisfactory audit opinion relating to ICT security and service delivered via the Council's provider. The improvements required were outwith the control of the HSCP and were being progressed by the Council through an agreed action plan. Whilst a number of higher risk areas are now mostly mitigated, there are other areas where remediation is still ongoing. Therefore the Council Group, including Social Work Services, remained exposed to significant risk in this area during 2023/24.

### 4. 2023/24 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 2023/24 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.

4.3 There were no significant governance issues raised by the Council of relevance to the Glasgow City Integration Joint Board, with the exception of the updates provided in section 3 above. The NHSGGC Internal Auditors are currently finalising their Annual Report, and we have not been made aware of any significant issues to date.

### 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 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 2023/24 within the IJB, with the exception of the ongoing GCC ICT service and security remediation management actions noted above.

### 6. Recommendations

6.1 The IJB Finance and Audit Committee is asked to:

- a) Note the content of the report.

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## Appendix 1: 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 the Internal Audit Service that Internal Audit:

- 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: 2015,
- Operates in an efficient and effective manner; and
- Is adding value and continually improving Internal Audit operations.

The Chief Internal Auditor is ultimately responsible for the QAIP, which covers all types of Internal Audit activities. 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 all 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.

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### 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 information by the Senior Management team.
- Regular Managers meetings to discuss ongoing performance issues and delivery of the Audit Plan.
- Regular activity and performance reporting to the Chief Officer, Finance.
- Annual self assessment review of compliance with the Public Sector Internal Audit Standards.
- 6 monthly activity and performance reporting.
- Chief Internal Auditor's Annual Report to the Audit Committee 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 Birmingham City Council during 2020/21 and is therefore not due again until 2025/26. The EQA undertaken by Birmingham City Council identified four actions to improve on current arrangements. All actions were completed.

An annual review, and three-year re-certification review is undertaken by British Standards assessors as a requirement of our ISO9001:2015 accreditation. The latest review was undertaken in February 2024 and confirmed compliance.

### Reporting

Internal Assessments – reports on internal assessments are reported to the Internal Audit Senior Management Team.

External Assessments – results of external assessments will be reported to the Committee responsible for Audit matters, the Chief Officer and Chief Officer Finance.

Follow up – the Chief Internal Auditor will be responsible for implementing all agreed actions arising from both internal and external assessments within the agreed timeframes.

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