
Report To: Inverclyde Integration Joint Board Audit Committee **Date:** 21 September 2020

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Inverclyde Health & Social Care Partnership **Report No:** IJBA/09/2020/AP

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Subject: INTERNAL AUDIT ANNUAL REPORT AND ASSURANCE STATEMENT 2019/2020

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Internal Audit Annual Report and Assurance Statement for 2019/2020 which forms part of the Integration Joint Board's Annual Governance Statement.

2.0 SUMMARY

- 2.1 The Internal Audit Annual Report 2019/2020 is attached as an Appendix to this report for consideration by the Committee. The report concludes that the majority of the IJB's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Satisfactory**. Appendix 1
- 2.2 A follow up process has been established during 2019/2020 to monitor management's progress in implementing agreed action plans arising from Internal Audit reviews.

3.0 RECOMMENDATION

- 3.1 It is recommended that the IJB Audit Committee reviews and considers the Internal Audit Annual Report and Assurance Statement.

Louise Long
Chief Officer
Inverclyde Integration Joint Board

4.0 BACKGROUND

4.1 Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the Section 95 Officer to support the Annual Governance Statement. This report should present an opinion as to the overall adequacy and effectiveness of the organisation's internal control environment.

4.2 The report should also:

- Disclose any qualifications to that opinion, together with reasons for the qualification;
- Present a summary of the audit work undertaken to formulate the opinion including reliance placed on the work by other assurance bodies;
- Draw attention to any issues the Chief Internal Auditor judges particularly relevant to the preparation of the statement on internal control; and
- Compare the work undertaken with work planned.

4.3 The Accounting Code of Practice ("ACOP") requires that the Section 95 Officer produces a signed Annual Governance Statement as part of the Council's Annual Report. This report is subject to External Audit scrutiny as part of the year-end audit process.

5.0 CURRENT POSITION

5.1 The Internal Audit Annual Report 2019/2020 is attached as an Appendix to this report for consideration by the Committee. The report concludes that the majority of the IJB's established internal control procedures operated as intended to meet management's control requirements for each area reviewed by Internal Audit. The overall audit opinion is **Satisfactory**.

5.2 A follow up process has been established during 2019/2020 to monitor management's progress in implementing agreed action plans arising from Internal Audit reviews.

6.0 IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

Legal

6.2 There are no direct legal implications arising from this report.

Human Resources

6.3 There are no direct HR implications arising from this report.

Equalities

6.4 Has an Equality Impact Assessment been carried out?

	YES
X	NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

How does this report address our Equality Outcomes?

Equalities Outcome	Implications
People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

6.5 There are no direct clinical or care governance implications arising from this report.

National Wellbeing Outcomes

6.6 How does this report support delivery of the National Wellbeing Outcomes?

National Wellbeing Outcome	Implications
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None
People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None

People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None
People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	None

7.0 DIRECTIONS

7.1	Direction Required to Council, Health Board or Both	Direction to:	
		1. No Direction Required	X
		2. Inverclyde Council	
		3. NHS Greater Glasgow & Clyde (GG&C)	
		4. Inverclyde Council and NHS GG&C	

8.0 CONSULTATIONS

8.1 Not applicable. This report summarises the work carried out during 2019-2020 which have been included in separate progress reports to Audit Committee.

9.0 LIST OF BACKGROUND PAPERS

9.1 Internal Audit Progress Report to the Audit Committee in January and March 2020.



Internal Audit Annual Report and Assurance Statement 2019/2020

8 September 2020

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SECTION 1 – INTRODUCTION

Purpose of this report

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor provides a written statement to the s95 Officer timed to support the Annual Governance Statement. This report constitutes the required statement. As required by PSIAS, this report presents the opinion of the overall adequacy and effectiveness of Inverclyde Integration Joint Board (IJB)'s risk management, control and governance processes, based on the work Internal Audit has performed. The scope of internal audit work, the responsibilities of Internal Audit, and the assurance given on the adequacy and effectiveness of the Internal Control System of the IJB are explained further in Section 4 of this report.

Main objectives of the IJB's Internal Audit Team

- 1.2 Internal Audit is an assurance function that primarily provides an independent, objective opinion to the Board on the control environment. The overall objective of Internal Audit is to review, appraise and report on the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources. A secondary objective is to advise management on improvements in internal control systems.

Scope of the IJB's Internal Audit Team

- 1.3 The scope of Internal Audit allows for unrestricted coverage of the IJB's activities and unrestricted access to records and assets deemed necessary by auditors in the course of an audit.

Acknowledgements

- 1.4 The assistance provided by IJB officers in the course of the work undertaken by Internal Audit during 2019/2020 is gratefully acknowledged.

SECTION 2 – ASSESSMENT OF RISK MANAGEMENT, CONTROLS AND GOVERNANCE

Scope

- 2.1 The work undertaken by Internal Audit in 2019/2020 is summarised in Section 3 of this Report.
- 2.2 The overall assessment arising from work undertaken is summarised in paragraphs 2.3 to 2.4 below. In interpreting this assessment, consideration needs to be given to the respective responsibilities of Management and Internal Audit and the related limitations on the assurance that Internal Audit can provide (as explained in Section 4).

Overall assessment

On the basis of Internal Audit work carried out in 2019/2020, the majority of the IJB's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that some recommendations were made by Internal Audit to improve controls. The overall opinion is **Satisfactory**.

The significant incident in late March tested how well the IJB's governance, risk management and internal controls framework is operating. It will be important for the IJB, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

Other matters

- 2.3 Summaries of the issues arising in relation to each system or activity covered by Internal Audit work in 2019/2020 are reported separately to the Audit Committee. Appropriate responses to the recommendations made in internal audit reports have been obtained. When actioned, the recommendations made in the Internal Audit reports should provide management with additional comfort that the system of control operates as intended. It is therefore imperative that the agreed actions are implemented by management.
- 2.4 A follow up process is in place which ensures that all actions arising from internal audit reviews are captured within a follow up database, and are subject to follow up and validation by the Internal Audit on a regular basis, with reporting on progress to the Audit Committee.

SECTION 3 – INTERNAL AUDIT WORK CONDUCTED

Internal audit approach

- 3.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed Internal Audit annual audit plan.

Progress on the 2019/2020 internal audit plan

- 3.2 The Annual Internal Audit Operational Plan 2019/2020 was discussed and agreed with the Audit Committee on 10 September 2019.
- 3.3 Progress against planned audit work for the year to 31 March 2020 can be summarised as follows:

Audit Area	Indicative Scope	Status
Budgetary Control	The audit will review the adequacy and effectiveness of arrangements in place to manage and report on the budget delegated to the IJB.	Complete
Integration Scheme Update – Readiness review	The Inverclyde IJB integration scheme will be reviewed in 2020. Internal Audit will review the adequacy and effectiveness of the current scheme and make recommendations for improvement.	Complete
Action Plan Follow Up	To monitor the progress of implementation of agreed internal audit action plans by management.	Ongoing
Audit Planning and Management	Review and update of the audit universe and attendance at IJB Audit Committee.	Complete
Internal Audit Annual Report	Annual report on 2019-2020 audit activity.	Complete

- 3.4 The total number of issues raised is set out in the following table:

Report	Red	Amber	Green	Overall Grading
Budgetary Control	0	2	1	Satisfactory
Integration Scheme Update – Readiness Review	0	1	1	Satisfactory
Total	0	3	2	

Progress on Implementation of Action Plans

- 3.5 Action plans were agreed in relation to the reports generated for the 2019/2020 annual audit plan. The following table sets out the number of actions agreed for each report issued and the status of completion at 31 May 2020 as follows:

Report	No of Actions Agreed	No of Actions Complete at 31/5/20	No of Actions Revised at 31/5/20	No of Actions Not Due at 31/5/20
Budgetary Control	4	0	0	4
Integration Scheme Update – Readiness Review	2	1	0	1
Total	6	1	0	5

- 3.6 All actions are subject to ongoing follow up by Internal Audit and are included within the Internal Audit action plan follow up reports to the Audit Committee on a regular basis.

Performance Measures

3.7 The following performance measures were in place for 2019/2020:

Measure	Description	Target	Actual
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%	50%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%	100%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%	100%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%	100%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%	100%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal Audit.	100%	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%	100%
8. Staff compliance with CPD	Number of training hours undertaken to support CPD	60	60
9. Management engagement	Number of meetings with Chief Officer and Chief Financial Officer as appropriate	2 per year	2

Reliance from other assurance providers

3.8 During 2019/2020, the following Internal Audit Reports have been issued to Inverclyde Council, which are relevant to the IJB:

Audit Report	Opinion	Number/Category of Issues		
		Red	Amber	Green
HSCP Contract Management	Satisfactory	0	1	2
Change Board Governance	Strong	0	0	3
BACS Payment Process	Satisfactory	0	3	2
Employee Expenses	N/A	N/A	N/A	N/A
HR Safe Recruitment Checks	Satisfactory	0	1	4
Total		0	5	11

3.9 Actions have been agreed with management and Internal Audit follow up each action when it falls due with regular reporting to the Council's Corporate Management Team and Audit Committee on the implementation of agreed actions and any matters of concern.

Reliance from other assurance providers (Continued)

3.10 In addition, corporate fraud investigations have been undertaken as follows:

Blue Badge Enquiries			
Number of Enquiries	Misuse Identified	No Misuse	Ongoing
35	27	8	-
39	33	1	5
22	15	2	5

3.11 The overall audit opinion reported in the Inverclyde Council Internal Audit Annual Audit report was as follows:-

*On the basis of Internal Audit work carried out in 2019/2020, the majority of Inverclyde Council's established internal control procedures appeared to operate as intended to meet Management's requirements for the individual systems reviewed by Internal Audit. On the basis of selective testing of key controls it can be concluded that, in the main, controls were generally operating as expected during the period under review, although it does need to be recognised that a number of recommendations were made by Internal Audit to improve controls. The overall opinion is **Generally Satisfactory with some improvements needed.***

There were no significant issues that were highlighted for inclusion in the Council's Annual Governance Statement though it was recognised that the significant incident in late March 2020 and the Council's responses as a Category 1 responder during the COVID-19 pandemic tested how well the Council's risk management, governance and internal controls framework is operating. There were examples of innovations, new business processes and solutions, and new technology being embraced in order to deliver services to the community in its role as a Category 1 responder to carry out the following three essential functions: Caring for the Vulnerable; Liaising with Resilience Partners; and Supporting Economic Recovery. This was achieved using amended governance arrangements, new ways of decision-making, leadership and implementation including virtual meetings, conference calls, and systems remote access. It will be important for the Council, at the appropriate time, to carry out a post-incident review and highlight any lessons learned.

3.12 During 2019/2020, the following Internal Audit Reports have been issued to NHSGGC which are relevant to the IJB:

Review	Overall Audit Rating	No of Issues per grading			
		4	3	2	1
Capacity Planning – Delayed Discharge	Minor improvement required	-	-	1	-
Financial Systems Health Check	Effective	-	-	-	1
IJB Financial Information and Reporting	Effective	-	-	-	1
Medicines Reconciliation in Hospital	Substantial improvement required	-	4	4	1
Sickness Absence Follow Up	Substantial improvement required	-	1	2	-
Statutory and Mandatory Training	Minor improvement required	-	1	2	-
Grievance Process	Minor improvement required	-	1	3	-
IT Security	Substantial improvement required	-	2	5	-

Reliance from other assurance providers (Continued)

Property Transactions	Effective	-	-	-	-
Service Redesign – Acute Stroke Services	Substantial improvement required	-	2	4	-
Operational Planning	Substantial improvement required	-	3	3	-
Payroll	Minor improvement required	-	-	2	1
Delivery of enhanced monitoring requirements at QEUH	Minor improvement required	-	1	3	-
Mental Health Waiting Times	Minor improvement required	-	-	3	2
Health and Safety	Minor improvement required	-	-	1	-
Moving Forward Together	N/A – Consultancy Engagement				
Follow Up – Q1	N/A	-	-	-	-
Follow Up – Q2	N/A	-	-	-	-
Follow Up – Q3	N/A	-	-	-	-
Total Findings		0	15	33	6

3.13 Internal Audit undertake follow up work on a quarterly basis to confirm the implementation of recommendations. The results of the follow up work are then reported to the Audit Committee with any matters of concern being drawn to the attention of this Committee.

3.14 The overall audit opinion reported in the NHSGGC Internal Audit Annual Audit report 2019/2020 was as follows:

In our opinion NHS Greater Glasgow and Clyde's internal control framework provides reasonable assurance regarding the achievement of objectives, the management of key risks and the delivery of best value, except in relation to:

- *Service Redesign – Acute Stroke Services;*
- *Operational Planning;*
- *Medicines Reconciliation in Hospital;*
- *Sickness Absence Follow Up; and*
- *IT Security.*

Working closely with management, our reviews in the above areas highlighted significant opportunities for improving controls in order to ensure appropriate mitigation of risk, with 15 amber rated (high risk) actions arising. We also identified a number of potential causes behind delays in implementing the Moving Forward Together plan. This opinion should be considered against the context under which the Board has operated throughout the year. The process of Escalation, external reviews and then COVID-19 has resulted in a significantly challenging environment for the Board and staff.

Management has committed to implementing the necessary improvement actions in all of the above areas and progress is being reported regularly to the Audit and Risk Committee. More recently, management has committed to accelerating progress in a number of areas as part of a wider remobilisation plan post Covid-19. Our most recent follow-up review for Q4 2019/20 confirmed that management are making excellent progress in implementing the actions in line with agreed timescales, and we will continue to monitor this position on a quarterly basis during 2020/21.

We were able to provide substantial assurances in the remaining ten audit areas covered during 2019/20, all of which were assessed as either “effective” or with only “minor improvement required”. We did not identify any grade 4 (very high risk) actions.

Reliance by external audit

- 3.15 During the year under review, liaison has taken place with the IJB’s External Auditors through joint attendance at the Audit Committee, meetings, ad hoc discussions and the sharing of audit plans and reports. External audit considers the work of Internal Audit throughout the year to inform their audit process.

SECTION 4 – SCOPE, RESPONSIBILITIES AND ASSURANCE

Approach

- 4.1 The internal audit work has been conducted in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards and the agreed annual audit plans. The overall scope of the internal audit work encompasses the IJB’s risk management practices, governance practices and internal controls.
- 4.2 The Annual Audit Plan is based on a formal risk assessment which is revised on an ongoing basis to reflect evolving risks and changes within the IJB. The Internal Audit Annual Audit Plan 2019/2020 was discussed and agreed at the Audit Committee on 12 September 2019. In addition, consultation on the content and coverage of the audit plan took place with the Chief Officer and the Chief Financial Officer.

Responsibility and reporting lines of the Chief Internal Auditor

- 4.3 The Chief Internal Auditor reports functionally to the IJB Audit Committee and has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. The adoption of these arrangements enables the IJB to conform with the reporting line requirements of the International Standard on Auditing (“ISA”) (UK and Ireland) 610 and the Public Sector Internal Audit Standards which were adopted by Local Government in the United Kingdom on 1 April 2013.
- 4.4 The Chief Internal Auditor also has a specific responsibility to the IJB’s s95 Officer to provide assurances which informs the preparation of the Annual Governance Statement for inclusion in the IJB’s Annual Report and Accounts.

The work of Internal Audit

- 4.5 Internal Audit is an independent appraisal function established by the IJB for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 4.6 In accordance with the principles of Corporate Governance, the Chief Internal Auditor reports with independence and impartiality to the IJB’s Audit Committee on a regular basis. The Chief Internal Auditor prepares an annual report containing a view on the adequacy and effectiveness of the systems of internal controls.

The work of Internal Audit (Continued)

- 4.7 The Internal Audit team operates in accordance with an established methodology that promotes quality and conformance with the Public Sector Internal Audit Standards. Internal Audit undertakes an annual programme of work approved by the IJB's Audit Committee. The Annual Audit Plan is based on a formal risk assessment, which is revised on an ongoing basis to reflect emerging risks and changes within the IJB. The Internal Audit Annual Audit Plan for 2019/2020 was discussed and agreed at the Audit Committee on 12 September 2019.
- 4.8 All Internal Audit reports identifying system improvements or non-compliance with expected controls are brought to the attention of management and include recommendations for improvement and agreed Action Plans. It is management's responsibility to give proper consideration to Internal Audit reports and take appropriate action on audit recommendations. The Chief Internal Auditor is required to confirm that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations or that management has understood and accepted the risks of not taking action. Management progress on implementing actions is reported to the IJB's Audit Committee at each committee cycle.

Responsibilities of Management and Internal Audit

- 4.9 It is Management's responsibility to maintain systems of risk management, internal control and governance.
- 4.10 Internal Audit is an element of the internal control framework established by management to examine, evaluate and report on accounting and other controls over operations. Internal Audit assists management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal Audit cannot be held responsible for internal control failures.
- 4.11 Internal Audit's role includes assessing the adequacy of the risk management, internal controls and governance arrangements put in place by management and performing testing on a sample of transactions to ensure those controls were operating for the period under review.

Basis of the internal audit assessment

- 4.12 In accordance with Guidance supporting the Public Sector Internal Audit Standards, the assessment on risk management, control and governance is based upon:
- Internal Audit work undertaken by the Internal Audit Team during the year to 31 March 2019 (in accordance with the annual audit plan approved by the Audit Committee);
 - The assessments of risk completed during the preparation and updating of the annual audit plan;
 - Reports issued by Internal Auditors for Inverclyde Council and the NHSGGC;
 - Reports issued by Audit Scotland, the IJB's External Auditors; and
 - Internal Audit's knowledge of the IJB's governance, risk management and performance monitoring arrangements.

Limitations on the assurance that Internal Audit can provide

- 4.13 It should be noted that the assurance expressed within this report can never be absolute. It is not a guarantee that all aspects of risk management, control and governance are adequate. The most that internal audit can provide to the s95 Officer and Audit Committee is reasonable assurance based on the work performed.
- 4.14 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from this engagement. These limitations include the possibility of faulty judgment in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Also there is no certainty that internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks which may arise in future.
- 4.15 Organisations and their internal control needs differ by type, size, culture and management philosophy. One organisation's internal control system may be very different from another's in relation to similar processes. Also, decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Satisfactory	<p>Controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A limited number of Amber rated issues may have been identified, but generally only green issues have been found in individual audit assignments. • None of the individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Generally Satisfactory with some improvement needed	<p>A few specific control weaknesses were noted: generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A number of Amber rated issues identified in individual audit assignments that collectively do not significantly impact the system of internal control. • Red rated issues that are isolated to specific systems or processes. • None of the individual assignment reports have an overall opinion of <i>Unsatisfactory</i>.
Major improvement needed	<p>Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • A high number of Amber rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A number of Red rated issues that collectively have a significant impact on some parts of the system of internal control but are not widespread. • A small number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.
Unsatisfactory	<p>Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance that risks are being managed and objectives should be met.</p> <ul style="list-style-type: none"> • Amber and Red rated issues identified in individual assignments that collectively are widespread to the system of internal control. • A high number of individual assignment reports have an overall opinion of <i>Requires Improvement or Unsatisfactory</i>.