

EAST RENFREWSHIRE INTEGRATION JOINT BOARD**PERFORMANCE AND AUDIT COMMITTEE****24 November 2021****Report by Chief Auditor****INTERNAL AUDIT ANNUAL REPORT 2020/21 AND AUDIT PLAN 2021/22****PURPOSE OF REPORT**

1. To submit the Chief Auditor's Annual Report for 2020/21 which contains an independent opinion on the adequacy and effectiveness of the governance, risk management and internal control systems operating within the integration joint board (IJB).

BACKGROUND

2. Internal Audit is an autonomous unit within the Chief Executive's Office of East Renfrewshire Council. Independence is achieved through the organisational status of internal audit and the objectivity of internal auditors. For the purposes of providing an annual opinion, reliance will be placed on the work of the NHS Greater Glasgow and Clyde (NHSGGC) internal auditors, East Renfrewshire Council internal auditors and any work carried out by other external assessors, for example Audit Scotland and Care Inspectorate.

3. In order to ensure proper coverage and avoid duplication of effort, the internal auditors of the NHSGGC and all the local authorities operating within this Health Board area are in regular communication when necessary.

ANNUAL REPORT 2020/21

4. The attached annual report (Appendix 1) contains the annual internal audit statement of assurance and concludes that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in the year ended 31 March 2021 except for a matter still under investigation by Police Scotland. The proposed audit plan for 2021/22 is also included within the report.

RECOMMENDATION

5. The Committee is asked to:

- (a) note the contents of internal audit's annual report 2020/21
- (b) note the annual assurance statement and the conclusion that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2020/21 except for a matter still under investigation by Police Scotland.
- (c) approve the proposed audit plan for 2021/22.

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.
M Blair, Chief Auditor
27 October 2021

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INTERNAL AUDIT ANNUAL REPORT 2020/21**INTRODUCTION**

1. The Scottish Government established the Integrated Resources Advisory Group (IRAG) to consider the financial implications of integrating health and social care, and to develop professional guidance.
2. The IRAG guidance outlines the responsibility of the integration joint board (IJB) to establish good governance arrangements, including proportionate internal audit arrangements for the review of the adequacy of the arrangements for governance, risk management and control of resources delegated to the IJB.
3. East Renfrewshire Council (ERC) and NHS Greater Glasgow and Clyde (NHSGGC) agreed that East Renfrewshire Council's internal audit service would undertake the internal audit role for the IJB and the Chief Auditor of East Renfrewshire Council was formally appointed to that role by the Integration Joint Board on 7 October 2015.
4. The guidance also states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.
5. To inform this review and the preparation of the governance statement, as stated in the CIPFA framework on Delivering Good Governance in Local Government, internal audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework for governance, risk management and control. This annual report contains the opinion on the IJB's internal control framework for the financial year 2020/21.

INTERNAL CONTROL FRAMEWORK

6. In order to ensure the proper conduct of its business, the IJB has a responsibility to develop and implement systems of internal control. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective controls and it remains primarily the responsibility of line management to ensure that internal controls are in place and are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to IJB policy and procedures. Such systems of internal control can provide only reasonable and not absolute assurance against loss.
7. An excellent working relationship exists between internal audit and Audit Scotland, the IJB's appointed external auditors. Information on audit planning and the progress of audit work is regularly exchanged on an informal basis which helps avoid duplication of effort and maximises audit resources. Audit Scotland review the work of internal audit annually to consider whether reliance can be placed on internal audit's work and it is pleasing to be able to report that Audit Scotland continue to be able to place reliance on internal audit's work as the standard of work meets their requirements.
8. East Renfrewshire IJB commissions East Renfrewshire Council and NHS Greater Glasgow and Clyde to provide services on its behalf, both of which operate in compliance with the Public Sector Internal Audit Standards (PSIAS). As such, any significant governance issues reported in either the Council's or NHS Greater Glasgow and Clyde's 2020/21 Annual Governance Statements are considered for relevance to the East Renfrewshire IJB. No significant issues were noted within the NHS statement. One issue was noted within the Councils Annual Governance Statement but since this matter is still under investigation by Police Scotland, no further detail can be provided at this time. The Chief Financial Officer has kept the Chairs of the IJB and its Performance and Audit Committee, and the IJB's external auditor, Audit Scotland, fully informed of this matter and all accept that this does not impact materially on the IJB accounts or the external audit opinion.

ACHIEVEMENT OF 2020/21 ANNUAL AUDIT PLAN

9. The 2020/21 audit plan provided 20 days and was approved by the Performance and Audit Committee on 23 September 2020. In agreement with the Head of Finance and Resources, no audit work specific to the IJB was planned and the days were to be reserved to address any emerging issues during the year.

10. The planned work on follow up of progress against previous internal audit recommendations was suspended due to Covid restrictions. This follow up work will now be completed during 2021/22 in addition to a follow up of all HSCP specific audits.

PLANNED WORK FOR 2021/22

11. The internal audit plan for the Council was approved by the Audit and Scrutiny Committee on 24 June 2021 and included an allocation of 15 days for IJB audit commitments. This is fewer days than the previous year audit allocations for the IJB due to there being limited IJB specific audits to be carried out and fewer total audit days available due to capacity.

12. Internal audits which are of relevance and interest to the IJB will be carried out in both the Council and the Health Board by their respective internal audit teams and these will be detailed within the relevant organisation's audit plans.

13. As advised previously to the Performance and Audit Committee in September 2021, these days will be held in contingency and called upon if required, and can be supplemented by available contingency time if necessary. At this point there is no specific IJB policy or activity that requires audit. In the event that this time is not used for specific IJB work, it will be used to supplement the planned HSCP work included within the East Renfrewshire Council audit plan (Kinship, fostering and adoption, Care First Finance System). Some of the time will also be used to prepare reports for the Performance and Audit Committee and for the Chief Auditor or representative to attend these meetings. Follow up of any previous audit recommendations specific to the IJB will also be carried out.

14. In preparing the proposed plan, the Head of Finance and Resources was consulted and previous audit findings and risks affecting the IJB were considered. The plan is prepared on the basis that operational controls over services are assured through the internal audits of NHSGCC and ERC and the IJB internal audit plan therefore complements these other plans.

15. It is proposed that the 15 days allocated are spent as follows:

Audit	Description/indicative scope	Planned Days
	Reserve days to address any emerging issues which may arise during the year, days to be used in consultation with the Head of Finance and Resources (Chief Financial Officer)	10
Follow-Up	Audit the progress made against implementing previous internal audit recommendations, undertaking additional testing as required.	2
Planning, Reporting and Administration	Audit committee attendance, preparation of reports and miscellaneous time spent liaising with management, partner organisations and peers.	3
Total		15

ANNUAL INTERNAL AUDIT OPINION

16. The ERC annual report and assurance statement for 2020/21 was presented to the Council's Audit and Scrutiny Committee in September 2021 and did not highlight any significant failures in controls except for one area which is still currently under Police Scotland investigation.

17. The internal auditors for NHSGCC have now provided their annual report and assurance statement for 2020/21 and have concluded that the framework of governance and internal control provides reasonable assurance regarding the effective and efficient achievement of objectives except for two areas (shown below) where a total of 5 grade 3 (high risk) recommendations were made. These areas are not specific to IJB. No grade 4 (very high risk) recommendations were made:

- Risk Management
- Records Management

18. The Internal Audit Annual Statement of Assurance for East Renfrewshire IJB is attached.

CONCLUSION

19. Audit is satisfied that the required financial assurance and governance arrangements were in place to support the delegation of functions to the integration joint board for the year ended 31 March 2021 except for one matter still under investigation by Police Scotland. The IJB has produced a Governance Statement which concurs with this conclusion.

INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE FOR 2020/21

As Chief Auditor of East Renfrewshire Integration Joint Board, I am pleased to present my annual statement on the adequacy and effectiveness of the governance, risk management and internal control systems of the East Renfrewshire Integration Joint Board for the year ended 31 March 2021.

Respective responsibilities of management and Internal Audit in relation to Governance, Risk Management and Internal controls

It is the responsibility of the Board and IJB senior management to establish appropriate and sound systems of governance, risk management and internal control and to monitor the continuing effectiveness of these systems. It is the responsibility of the Chief Auditor to provide an annual overall assessment of the robustness of governance, risk management and internal control.

Framework of Governance, Risk Management and Internal Controls

The Integration Joint Board uses the systems of East Renfrewshire Council (ERC) and NHS Greater Glasgow and Clyde (NHSGGC) to manage its financial records.

The main objectives of the internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the Integration Joint Board's objectives;
- To safeguard assets;
- To ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, ERC and NHSGGC continually seek to improve the effectiveness of their systems of internal control.

The work of Internal Audit

Internal Audit is an independent appraisal function established 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 the organisation's resources.

The operational delivery of services within ERC and NHSGGC on behalf of the IJB will be covered by their respective internal audit arrangements.

There is a requirement that the IJB internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. The East Renfrewshire Council Internal Audit service operates in accordance with the PSIAS and undertakes an annual programme of work which is approved and monitored by the Council's Audit and Scrutiny Committee. The internal audit service for NHSGGC is provided by Azets whose audit methodology also conforms to PSIAS.

ERC's internal audit section provided an annual report and assurance statement for 2020/21 which was submitted to the Council's Audit and Scrutiny Committee on 23 September 2021 for approval. The audit opinion concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for the year ended 31 March 2021 except for a matter still under investigation by Police Scotland.

No significant governance issues were raised by NHSGGC's internal auditor in their annual report presented to the NHSGGC Audit Committee in June 2021 of relevance to the East Renfrewshire IJB.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by ERC Internal Audit staff during the year to 31 March 2021
- The audit work undertaken by Azets who are the appointed auditors of NHSGGC during the year to 31 March 2021.
- Chief Auditor's knowledge of the IJB's activities for the year ended 31 March 2021.

Opinion

It is my opinion, based on the information available and assurances provided, that reasonable assurance can be placed on the framework of governance, risk management and internal controls which operated in the East Renfrewshire Integration Joint Board in the year to 31 March 2021 except for an area still under investigation by Police Scotland.

Michelle Blair FCA
Chief Auditor

27 October 2021

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