



REPORT TO: East Lothian IJB – Audit and Risk Committee

MEETING DATE: 28 June 2018

BY: Chief Internal Auditor

SUBJECT: Annual Internal Audit Opinion and Report 2017/18

1 PURPOSE

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that the Chief Internal Auditor prepares an annual internal audit opinion and report that can be used by the Integration Joint Board (IJB) to inform its governance statement.
- 1.2 The purpose of this report is to inform the Audit and Risk Committee of the internal audit work undertaken in 2017/18 and to provide an opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control.

2 RECOMMENDATION

- 2.1 The Audit and Risk Committee is asked to note that the Annual Internal Audit Opinion and Report 2017/18 is a formal confirmation of Internal Audit's opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year ended 31 March 2018.

3 BACKGROUND

Sound Internal Controls

- 3.1 The IJB's senior management has responsibility for establishing a sound system of internal control and for monitoring the continuing effectiveness of these controls. The main objectives of internal control systems are:
- Achievement of the IJB's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.

- 3.2 A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls or the occurrence of unforeseen circumstances. The IJB is continually seeking to improve the effectiveness of its system of internal control.

Quality Assurance and Improvement Programme (QAIP)

- 3.3 The Public Sector Internal Audit Standards (PSIAS) require that the annual report must incorporate a statement on Internal Audit's conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity.

Internal Audit is continually seeking to improve its service and aims to provide a service that remains responsive to the needs of the IJB and maintains consistently high standards. This was achieved in 2017/18 through the following processes:

- Compliance with PSIAS.
- A programme of quality control measures which include the supervision of staff conducting audit reviews and the detailed review of working paper files and audit reports.
- The development of personal and training plans – Internal Audit staff members are required to undertake a programme of Continuous Professional Development (CPD).

- 3.4 The QAIP is designed to enable evaluation of Internal Audit's conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards. The QAIP must include both internal and external assessments. In 2017/18, an external quality assessment of Internal Audit was carried out against the PSIAS to ensure conformance to the Standards.

Delivery of the Internal Audit Service

- 3.5 Internal Audit is an independent appraisal function established by the IJB to objectively examine, evaluate and report on the adequacy of governance, risk management and control systems. The provision of the Internal Audit service to the IJB is on an in-house basis by East Lothian Council's Internal Audit Unit which is comprised of the Chief Internal Auditor, three Senior Auditors and one Senior Audit Assistant.
- 3.6 The PSIAS state that internal auditors must possess the knowledge, skills and competencies needed to perform their individual responsibilities and encourages auditors to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications. The Chief Internal Auditor and the three Senior Auditors are CCAB qualified. The Senior Audit Assistant is part qualified.

- 3.7 The Chief Internal Auditor reports functionally to the Audit and Risk Committee and has direct access to Senior Management, the Chair of the Audit and Risk Committee and the Chair of the IJB.
- 3.8 In October 2017, the Audit and Risk Committee approved the Internal Audit Plan for 2017/18. Our audit plan was scoped to address the key risks and objectives of the IJB. In 2017/18, Internal Audit reports were issued on the IJB Strategic Plan, Risk Management and Delayed Discharges.
- 3.9 Internal Audit findings identifying system weaknesses or non-compliance with expected controls were brought to the attention of the IJB's Chief Officer, Chief Finance Officer, External Auditor and the Audit and Risk Committee. The weaknesses outlined are those that have come to our attention during the course of our normal audit work and are not necessarily all of the weaknesses, which may exist. It is the responsibility of Management to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations.

Conflicts of Interest

- 3.10 There have been no instances during the year which have impacted on our independence and/or lead us to declare any interest.

Assessment of Controls and Governance

- 3.11 My evaluation of the IJB's control environment is informed by a number of sources including statutory and other compliance:
- Integration Scheme – an East Lothian Integration Scheme is in place and sets out how the IJB will operate, including the scope of the services to be included within the IJB and the financial arrangements.
 - Membership – membership of the IJB is in accordance with the Integration Scheme.
 - The IJB has in place approved Standing Orders and Financial Regulations.
 - Committees – the IJB has established an Audit and Risk Committee. The terms of reference of the Audit and Risk Committee cover the IJB's governance, risk and control; internal audit; external audit; financial reporting and accountability arrangements.
 - Strategic Plan – the IJB has formally adopted a Strategic Plan.
 - Officers – appropriate officers (Chief Officer and Chief Finance Officer) with responsibility for maintaining and operating an effective system of internal control were in place during 2017/18.
 - Code of Conduct for Members of the IJB.
 - The work undertaken by Internal Audit during 2017/18.

Operational matters covered by IJB directions and which are undertaken on behalf of the IJB by either East Lothian Council or NHS Lothian are outwith the scope of the annual audit plan and this audit opinion.

3.12 During 2017/18, areas identified with scope for improvement included the following:

- Monitoring and reporting of progress being made in implementing the priorities outlined in the Strategic Plan Implementation Programme.
- Strategic planning arrangements for ensuring that roles and remits, accountability structures and governance are operating in accordance with the Strategic Planning Framework.
- Ongoing work in developing the Risk Register, to ensure compliance with the Risk Management Strategy and Policy.
- Monitoring and reporting of performance targets.
- Ongoing work on the Participation and Engagement Strategy and the Workforce Development and Support Plan, to ensure compliance with the Integration Scheme.
- Reporting key statistics on delayed discharges in a timely and consistent manner.

3.13 The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended.

Opinion

3.14 It is my opinion, subject to the weaknesses outlined in section 3.12 above, that reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year to 31 March 2018.

4 ENGAGEMENT

4.1 None.

5 POLICY IMPLICATIONS

5.1 None.

6 INTEGRATED IMPACT ASSESSMENT

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

7.1 Financial - None

7.2 Personnel - None

7.3 Other - None

8 BACKGROUND PAPERS

8.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Chief Internal Auditor
CONTACT INFO	01620 827326
DATE	19 June 2018