

# East Lothian Integration Joint Board



**REPORT TO:** East Lothian Integration Joint Board

**MEETING DATE:** 8 June 2021

**BY:** Chief Internal Auditor

**SUBJECT:** Annual Internal Audit Opinion and Report 2020/21

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## **1 PURPOSE**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) require that Internal Audit 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 IJB Audit and Risk Committee of the internal audit work undertaken in 2020/21 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 IJB Audit and Risk Committee is asked to note that the Annual Internal Audit Opinion and Report 2020/21 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 2021.

## **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 Local Government Application Note and the results of the Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity. Internal Audit is continuously 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 2020/21 through the following processes:

- Compliance with PSIAS.
- A tailored audit approach using a defined methodology for financial audits.
- 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 undertake a programme of Continuous Professional Development (CPD).

- 3.4 The PSIAS require the development of a Quality Assurance and Improvement Programme (QAIP). 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. An internal assessment of internal audit practices was carried out against the PSIAS to ensure conformance to the Standards in February 2021. An External Quality Assessment of the Council's Internal Audit service was undertaken in May 2018 by the Chief Internal Auditor of Argyll and Bute Council, providing a high level of assurance on internal audit's compliance with PSIAS.

### **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. In addition to the work undertaken by the in-house team, work is also undertaken by the NHS Lothian Internal Audit team.

- 3.6 Internal Audit 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.
- 3.7 In March 2020, the Audit and Risk Committee approved the Internal Audit Plan for 2020/21. In March 2020 the national lockdown introduced as a result of the COVID-19 pandemic significantly changed the operations of the IJB and the Internal Audit Team. The impact of these changes resulted in a revised Internal Audit Plan for 2020/21 being approved by the Audit and Risk Committee in September 2020. Our audit plan has subsequently remained flexible to take account of the changing risks and management stresses that have been encountered during the response to the COVID-19 pandemic.
- 3.8 Scheduled audit reviews of Social Care Sustainability Payments and PPE Stock Control have been completed. In addition the Workforce Management Review has been completed by the NHS audit team, however due to current protocols this review will not be submitted to the IJB Audit and Risk Committee until September 2021. An additional review of Social Care Sustainability Payments has also been issued as a result of changes in Scottish Government Guidance. A revised audit plan recognising the revised risk and control environment will be submitted to the September 2021 meeting of the IJB Audit and Risk Committee.
- 3.9 The opinion is restricted by the assurance work that has not yet been completed, however a 75% audit plan full completion and additional work completed allows a formal assessment to be made on substantial evidence. The assurance work completed by Internal Audit will continue to be adjusted to take account of any altered working arrangements through the 2021/22 financial year as recovery arrangements from the pandemic continue.
- 3.10 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**

- 3.11 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**

- 3.12 Our 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 covering 2019-2022 and sets out how the IJB will operate, including the scope of the services to be included within the IJB and the financial arrangements. The IJB were informed in June 2020 that all 4 Lothian IJB's had suspended the review of the Integration Scheme, work is now recommencing on these reviews.
- Membership – membership of the IJB is in accordance with the Integration Scheme.
- The IJB has in place approved Standing Orders as amended in March 2020 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. The IJB Meeting in June 2020 covered all required items whilst the Audit and Risk Committee was in recess.
- Strategic Plan – the IJB formally adopted a Strategic Plan 2019-2022 in March 2019.
- 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 2020/21.
- Code of Conduct for Members of the IJB.
- The work undertaken by Internal Audit during 2020/21.

3.13 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.

3.14 During 2020/21, areas identified with scope for improvement included the following:

- The current Health and Social Care Partnership workforce plan and workforce action plan does not reflect the workforce developments arising from the events of 2020, and will require staff in the role of workforce development to take forward appropriate actions.
- If the Health and Social Care Partnership are required to continue operating a PPE equipment hub following the current review, then procedures to ensure a complete audit trail for equipment from receipt to delivery to NHS locations and social care providers will be required.

3.15 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**

3.16 It is our opinion, subject to the weaknesses outlined in section 3.14 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 2021.

#### **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 DIRECTIONS**

7.1 The subject of this report does not require any amendment to or creation of Directions.

#### **8 RESOURCE IMPLICATIONS**

8.1 Financial - None

8.2 Personnel - None

8.3 Other - None

#### **9 BACKGROUND PAPERS**

9.1 None

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