

AGENDA ITEM

5

Title/Subject: Internal Audit Sharing Protocol
Meeting: Integration Joint Board Audit Committee
Date: 29 March 2019
Submitted By: Chief Finance Officer
Action: For Approval

1. INTRODUCTION

- 1.1 The purpose of this report is to present the Audit Committee with an internal audit sharing protocol for approval. The protocol covers the sharing of internal audit outputs between the IJB, Council and NHS Board.

2. RECOMMENDATION

The Audit Committee are asked to approve the internal audit sharing protocol attached at appendix 1.

3. BACKGROUND

- 3.1 The Scottish Government Integrated Resources Advisory Group (IRAG) published a finance guidance document in May 2015, providing guidance and advice on financial matters for health boards and local authorities in relation to the integration of health and social care. Section 2.4 of that document provides guidance on internal audit services.
- 3.2 The draft protocol has been developed using the IRAG guidance, along with advice from the current and incoming Chief Internal Auditors.

4. DRAFT PROTOCOL

- 4.1 The draft protocol aims to ensure that internal audit outputs, for example internal audit plans and reports, are shared with each of the constituent authorities, where relevant and appropriate. This is in line with the IRAG guidance.
- 4.2 This protocol will help to ensure that risk based internal audit plans for the IJB, Council and Health Board are coordinated and that duplication of work is avoided. It will also ensure proper, comprehensive coverage of key areas.
- 4.3 The protocol is drafted to avoid an overly bureaucratic process, ensuring that appropriate steps are taken to ensure the Audit Committee receives all relevant and appropriate information, without being over-burdened with internal audit outputs.
- 4.4 The protocol also aims to ensure that the role of the Chief Internal Auditor in determining the format and level of information to be presented to the Audit Committee is understood and that each constituent partner's right to set their own internal audit plan is respected.

5. CONCLUSIONS

5.1 The report presents an internal audit sharing protocol for approval.

Resource Implications

There are no resource implications arising from this report.

Impact on IJB Outcomes and Priorities

A well functioning internal audit service is essential in ensuring effective governance and delivery of Best Value. This will ultimately assist the IJB to deliver it's strategic outcomes and priorities.

Legal & Risk Implications

There are no legal implications arising from this report.

Consultation

The constituent partners have been consulted on the audit sharing protocol.

Equalities Assessment

N/A

Approved for Submission by: Patricia Cassidy, Chief Officer

Author: Amanda Templeman, Chief Finance Officer

Date: 15 March 2019

List of Background Papers: The papers that may be referred to within the report or previous papers on the same or related subjects.

Falkirk Integration Joint Board / NHS Forth Valley / Falkirk Council**Sharing of Audit Outputs Protocol****1 Introduction**

In the integrated health and social care environment, there may be a need to share internal audit outputs beyond the organisation that commissioned the work, in particular where the output (e.g. internal audit reports, follow-up reports, internal audit plans and internal audit annual report / opinion) is considered relevant to one or more of the other partners for assurance purposes. It is important that this sharing of information happens in a controlled manner to facilitate joint working, protect confidentiality and avoid duplication of effort.

The Integrated Resource Advisory Group (IRAG) guidance states that *“To ensure that the risk based audit plans for the Integration Joint Board (IJB), Local Authority and Health Board are co-ordinated to ensure proper coverage, avoid duplication of efforts and determine areas of reliance from the work of each team, it is recommended that the Chief Internal Auditors for each of the respective bodies share information, co-ordinate activities with each other and with other external providers of assurance and consulting services”*.

This paper sets out principles in relation to the sharing of Internal Audit outputs and granting of access, in order that all parts of the system receive appropriate information on the adequacy and effectiveness of internal control, including controls operated by other bodies which impact on their control environment. Throughout this paper, the term “Audit Committee” refers to the Standing Committee of the organisation charged with responsibility for audit and assurance.

2 Audit Planning

IRAG guidance states that *‘The risk based audit plan should be developed by the Chief Internal Auditor of the Integration Joint Board and approved by the Integration Joint Board or other committee (see 2.6 Audit Committees). It is recommended that it is shared with the relevant committees of the Health Board and Local Authority.’ The Chief Internal Auditor will advise Committees of the scope of audit coverage, including provision of the Internal Audit Plan as appropriate. T*

Given that the IJBs are reliant on assurances provided by the parties on their systems and also to ensure that plans can be seen to be coherent over the whole system, the Chief Internal Auditor will advise on the scope of the Internal Audit plans of the Health Board and Local Authorities to the IJB Audit Committee for noting, including provision of Internal Audit Plans as appropriate. This will also provide each Audit Committee, whilst respecting the organisation for whom the report is prepared, with the opportunity to identify any relevant audits from another body which they may wish to receive assurance from.

3 Individual Audit Reports

3.1 IJB Audits

When conducting audits of the IJB, Internal Auditors will use their respective methodologies, both of which are compliant with Public Sector Internal Audit Standards (PSIAS). However, an agreed standard report format within each IJB will be used for IJB Internal Audit Reports. The Internal Auditors have separately agreed a joint working protocol which sets out the audit process for all work which will be conducted within the terms of Internal Audit Charter approved by each IJB Audit Committee and the requirements of PSIAS.

Internal Audit Progress Reports will be presented to the IJB Audit Committee as appropriate during the year. These will include a summary of the scope of, and key findings arising from, each assignment. These summaries shall also be shared with the NHS Forth Valley and Falkirk Council Audit Committees if appropriate.

3.2 NHS and Local Authority Internal Audits

At the beginning of each audit year, and on an ongoing basis, the respective internal auditors, taking into account the views of the IJB Chief Officer, IJB Chief Internal Auditor and IJB Audit Committee, will review their audit plans to identify any audits of the parent bodies (NHS Forth Valley and Falkirk Council) that may be of relevance to the IJB. For these audits, summaries of the final reports, or relevant issues from within those reports, will be presented to the IJB Audit Committee As deemed appropriate by the Chief Internal Auditor.

If, for any other completed audits, the auditor believes there may be issues which impact on the IJB control environment, the IJB Chief Internal Auditor will be notified so that arrangements can be made to report the relevant findings to the IJB Audit Committee.

The final audit reports issued shall follow the normal reporting routes established for internal audit reports within the parent bodies. The parent body Audit Committee shall be advised if the report, or any part thereof, is to be shared with the IJB Audit Committee.

When either an NHS Forth Valley or a Falkirk Council final internal audit report has been identified as relevant to the IJB, the audit report shall be presented in summary at the next meeting of the IJB Audit Committee. These summary reports shall also be shared between NHS Forth Valley and Falkirk Council internal audit services.

4 Annual Internal Audit reports

IRAG guidance states that '*It is recommended that the Integration Joint Board annual internal audit report is shared with the partner Health Board and Local Authority through the reporting arrangements in those bodies for internal audit.*' The IJB Chief Internal Auditor shall prepare an IJB Internal Audit Annual Report and opinion and in accordance with IRAG guidance; it will be shared with the parent bodies and reported through their own internal audit reporting procedures. Again, this principle will be extended and reciprocated so that the key points from Local Authority and Health Board Annual Internal Audit Reports are presented to the IJB Audit Committee by the Chief Internal Auditor for noting as part of the overall assurance portfolio in support of the governance statement.