

Agenda Item 5

Internal Audit Annual Assurance Report



Falkirk Integration Joint Board Audit Committee

Date: 18 June 2021

Title: Internal Audit Annual Assurance Report

Action: For Noting

1. Executive Summary

- 1.1 This report provides an overall assurance on the IJB's arrangements for risk management, governance, and control, based on Internal Audit work undertaken and reported during 2020/21.

2. Recommendations

The Audit Committee is asked to:

- 2.1 note that sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided;
- 2.2 note that Internal Audit can provide **SUBSTANTIAL** assurance on the IJB's arrangements for risk management, governance, and control for the year to 31 March 2021; and
- 2.3 note that Internal Audit operates in compliance with PSIAS.

3. Operational Activity Considered in Providing Overall Assurance

- 3.1 Responsibility for leading on the provision of Internal Audit services to Falkirk IJB rotates on a three-yearly cycle between the Chief Internal Auditor of NHS Fife, Tayside, and Forth Valley NHS Internal Audit consortium and Falkirk Council's Internal Audit Manager.
- 3.2 Prior to 01 April 2019, this provision was led by the Chief Internal Auditor of NHS Fife, Tayside, and Forth Valley NHS Internal Audit consortium. From 01 April 2019 Falkirk Council's Internal Audit Manager took over.
- 3.3 It is senior managers' responsibility to establish and maintain effective and proportionate risk management, governance, and control arrangements. Internal Audit is not an extension of, or substitute for, operational management.
- 3.4 The 2017 Public Sector Internal Audit Standards require the Internal Audit Manager to prepare an Annual Assurance Report. This report should include:
 - a statement on the overall adequacy of the IJB's control environment;

- a summary of Internal Audit work undertaken during the year; and
- a statement on the Internal Audit Section's conformance with the Standards.

3.5 This report has been prepared to meet those requirements.

3.6 The 2020/21 Internal Audit Plan set out two main assignments to be completed by the team over the course of the year:

2020/21 Internal Audit Plan:	
Directions	<p>In January 2020 the Scottish Government published Statutory Guidance on "Directions from Integration Authorities to Health Boards and Local Authorities" (the Guidance). A paper on the use of Directions, and the impact of the Guidance, was considered by the Integration Joint Board on 4 September 2020 where a directions template was agreed.</p> <p>A Directions Policy has now been approved by the Integration Joint Board in March 2021. Given that the guidance and the policy are fairly recent, Internal Audit work will be scheduled for later in the 2021/22 audit programme.</p>
Risk Management Arrangements	Draft Report issued on 25 May 2021.

3.7 The scope of, and findings arising from the finalised Risk Management assignment will be reported at the next Audit Committee.

3.8 Internal Audit use a set of Assurance Categories. A summary of these is set out at **Appendix 1**.

3.9 On the basis of work undertaken, Internal Audit can provide **SUBSTANTIAL** assurance in relation to Falkirk IJB's arrangements for risk management, governance, and control for the year to 31 March 2021. In providing this opinion, Internal Audit has taken account of findings arising from work undertaken as part of the Falkirk Council Internal Audit Plan on systems used, and relied upon, by the Health and Social Care Partnership. For 2020/21 this consisted of:

- Falkirk Pension Fund;
- Staff Wellbeing and Support Arrangements; and
- Continuous Auditing (focussing on Creditors Payments).

3.10 In addition, opinion can be further strengthened by the internal audit work undertaken within NHS Forth Valley during 2020/21. This included:

- Internal Control Evaluation;
- Policies and Procedures; and
- eHealth Strategic Planning and Governance.

4. Compliance With Public Sector Internal Audit Standards

4.1 Internal Audit seeks to undertake all work in conformance with the Public Sector Internal Audit Standards 2017 (the Standards). The Standards have four objectives:

- To define the nature of Internal Auditing, within the UK public sector;
- To set basic principles for carrying out Internal Audit in the UK public sector;
- To establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
- To establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.

4.2 The Standards require the Internal Audit Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance with the Standards. This comprises an annual self-assessment and a five yearly external assessment.

4.3 The Internal Audit Manager undertook a detailed self-assessment against the Standards during February 2021. This confirmed continuing compliance with the Standards, and will be subject to independent, external validation as part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group.

5. Conclusions

5.1 Sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided.

5.2 Internal Audit is able to provide Substantial assurance in respect of Falkirk IJB's overall arrangements for risk management, governance, and control for the year to 31 March 2021.

5.3 In providing that opinion, Internal Audit operated in compliance with the Public Sector Internal Audit Standards.

Resource Implications

There are no resource implications arising from the recommendations in this report.

Directions

There is no need for a new or amended Direction as a result of the recommendations of this report.

Impact on IJB Outcomes and Priorities

Effective governance, including risk management and internal control, will be necessary to deliver the outcomes and priorities of the IJB.

Legal & Risk Implications

The role of Internal Audit is to provide assurance on the IJB's arrangements for risk management, governance, and control. Recommendations made by Internal Audit aim to reduce or mitigate risk to which the IJB may be exposed.

Consultation

All Internal Audit reports are circulated in draft and reviewed by management prior to final publication.

Equalities Assessment

No equalities issues arise from the recommendations of this report.

6. Report Author

- 6.1 Author of report – Isabel Wright, Falkirk Council Internal Audit Manager

7. Appendices

Appendix 1: Definition of Internal Audit Assurance Categories

Definition of Internal Audit Assurance Categories

Level of Assurance	Definition
Substantial assurance	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
Limited assurance	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.