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**Report To:** Inverclyde Integration Joint Board Audit Committee      **Date:** 11 September 2018

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**Subject:** INTERNAL AUDIT - ANNUAL PLAN 2018-2019

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to present the Internal Audit Annual Strategy and Plan for 2018-2019 for approval.

## **2.0 SUMMARY**

- 2.1 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 2.2 The Chief Internal Auditor will prepare an annual internal audit plan which will be subject to consideration and approval by the IJB Audit Committee.
- 2.3 Internal Audit follows a risk-based approach and it is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk, previous audit findings and any other internal or external factors affecting the Inverclyde Integration Joint Board.
- 2.4 The proposed Internal Audit Annual Strategy and Plan for 2018-2019 is set out at Appendix 1.
- 2.5 The total budget for the Internal Audit Annual Plan for 2018-2019 has been set at 50 days. The Plan does not contain any contingency provision. Where there are any unforeseen work demands that arise eg special investigations or provision of ad hoc advice, this will require to be commissioned as an additional piece of work which will be subject to a separate agreement.
- 2.6 The Public Sector Internal Audit Standards require that the annual audit plan should be kept under review to reflect any changing priorities and emerging risks. Any material changes to the audit plan will be presented to the IJB Audit Committee for approval.

### **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Inverclyde IJB Audit Committee approves the Internal Audit Annual Plan for 2018-2019.

**Louise Long  
Chief Officer  
Inverclyde Health & Social Care Partnership**

## 4.0 BACKGROUND

- 4.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising governance, risk management and control by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 4.2 As stated in the IRAG (Integrated Resources Advisory Group) Guidance, it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.
- 4.3 The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 4.4 The Chief Internal Auditor will prepare an annual internal audit plan which will be subject to consideration and approval by the IJB Audit Committee.

## 5.0 CURRENT POSITION

- 5.1 Internal Audit follows a risk-based approach and it is intended that audit work will be focused on areas of greater risk taking into account management's own view of risk, previous audit findings and any other internal or external factors affecting the Inverclyde Integration Joint Board.
- 5.2 The proposed Internal Audit Annual Strategy and Plan for 2018-2019 are set out at Appendix 1.
- 5.3 The total budget for the Internal Audit Annual Plan for 2018-2019 has been set at 50 days. The Plan does not contain any contingency provision. Where there are any unforeseen work demands that arise eg special investigations or provision of ad hoc advice, this will require to be commissioned as an additional piece of work which will be subject to a separate agreement.
- 5.4 The Public Sector Internal Audit Standards require that the annual audit plan should be kept under review to reflect any changing priorities and emerging risks. Any material changes to the audit plan will be presented to the IJB Audit Committee for approval.

## 6.0 IMPLICATIONS

### Finance

- 6.1 The work required to deliver the Annual Internal Audit Plan will be contained within the existing Internal Audit budget set by Inverclyde Council.

### Financial Implications:

#### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

#### Annually Recurring Costs/ (Savings)

<b>Cost Centre</b>	<b>Budget Heading</b>	<b>With Effect from</b>	<b>Annual Net Impact</b>	<b>Virement From (If Applicable)</b>	<b>Other Comments</b>
N/A					

#### **Legal**

6.2 There are no direct legal implications arising from this report.

#### **Human Resources**

6.3 There are no direct HR implications arising from this report.

#### **Equalities**

6.4 There are no direct equalities implications arising from this report.

#### **Clinical or Care Governance Implications**

6.5 There are no direct clinical or care governance implications arising from this report.

#### **National Wellbeing Outcomes**

6.6 There are no direct national wellbeing outcomes arising from this report.

### **7.0 CONSULTATIONS**

7.1 Discussions have taken place with the Inverclyde IJB's Chief Officer and Chief Financial Officer in relation to the proposed annual audit plan coverage for 2018-2019.

7.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Inverclyde IJB.

### **8.0 LIST OF BACKGROUND PAPERS**

8.1 None.

## INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2018-2019

### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Chief Internal Auditor to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The Chief Internal Auditor must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations and priorities.
- 1.3 The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 1.4 The strategy shall be reviewed on an annual basis as part of the audit planning process.

### 2. Internal Audit Objectives

- 2.1 The definition of internal auditing is contained within the PSIAS as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

- 2.2 The primary aim of the internal audit service is to provide assurance services which requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 2.3 The internal audit service also provides advisory services, generally at the request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 2.4 The internal audit service supports the Inverclyde IJB's Chief Financial Officer in her role as Section 95 Officer.

### 3. Risk Assessment and Audit Planning

- 3.1 The internal audit approach to annual audit planning is risk-based and aligns with the IJB's Corporate Risk Register.
- 3.2 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Inverclyde IJB.

**INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2018-2019****4 Service Delivery**

- 4.1 The provision of the internal audit service is through a directly employed in-house team.
- 4.2 In relation to the total staff days allocated to the 2018-2019 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. This spreadsheet is reviewed and updated each period by each member of staff against time charged to timesheets.

The operational plan is 50 days which will be resourced as follows:

Team Member

Audit Practitioner – 50

The Chief Internal Auditor does not directly carry out the assignments included in the annual audit plan but provides the quality review and delivery oversight of the overall plan. As such, no direct time is included within the plan. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.

- 4.3 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced. The internal auditor posts must also be CMIIA/CCAB or equivalent with previous audit experience.
- 4.4 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in a personal training records for CPD purposes.
- 4.5 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the PSIAS. An annual declaration is undertaken by staff in relation to specific aspects of the Code.
- 4.6 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the Chief Officer, HSCP Head of Service and HSCP Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.
- 4.7 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the Chief Financial Officer in the preparation of the Annual Governance Statement.

## INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2018-2019

## 5 Proposed Audit Coverage 2018-2019

5.1 The proposed audit coverage is set out in the table below.

Audit Area	Planned Activity	Risk Register Reference
Financial Planning	The Inverclyde IJB Financial Plan 2018-2021 was approved in March 2018.  Internal Audit will review the adequacy and effectiveness of arrangements in place to monitor the implementation of the Inverclyde IJB Financial Plan 2018-2021.	IJB Risk 4 – <b>Financial Sustainability/Constraints/Resource Allocation (January 2018)</b> <i>Risk due to increased demand for services, potentially not aligning budget to priorities, or anticipated future budget cuts to our funding partners which means that the level of funding provided by the funding partners to the IJB becomes insufficient to meet national and local outcomes and to deliver Strategic Plan Objectives.</i>
IJB Directions	The Inverclyde IJB issued directions to Inverclyde Council and Greater Glasgow & Clyde NHS Board (the Health Board) in respect of the delivery of the functions delegated to the IJB under the Public Bodies (Joint Working) (Scotland) Act 2014.  Internal Audit will review the adequacy and effectiveness of arrangements in place to monitor the implementation of IJB Directions.	N/A
Action Plan Follow Up	To monitor the progress of implementation of agreed internal audit action plans by management.	N/A
Audit Planning and Management	Review and update of the audit universe and attendance at IJB Audit Committee.	N/A
Internal Audit Annual Report	Annual report on 2018-2019 audit activity.	N/A
<b>Total Staff Days</b>		<b>50</b>

## INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2018-2019

**6 Quality and Performance**

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2018-2019 these have been set as follows:

<b>Measure</b>	<b>Description</b>	<b>Target</b>
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
8. Staff compliance with CPD	Number of training hours undertaken to support CPD	140
9. Management engagement	Number of meetings with Chief Officer and Chief Financial Officer as appropriate	2 per year

- 6.3 Actual performance against targets will be included in the Internal Audit Annual Assurance Report for 2018-2019.