



REPORT TO: PERFORMANCE & AUDIT COMMITTEE – 28 NOVEMBER 2017
REPORT ON: DUNDEE INTEGRATION JOINT BOARD INTERNAL AUDIT CHARTER
REPORT BY: CHIEF FINANCE OFFICER
REPORT NO: PAC35-2017

1.0 PURPOSE OF REPORT

The purpose of this report is to consider a proposed Internal Audit Charter for Dundee Integration Joint Board (IJB) which sets out the responsibility for and approach to internal audit activity.

2.0 RECOMMENDATIONS

It is recommended that the Performance & Audit Committee (PAC):

- 2.1 Notes the content of this report and approves the proposed Dundee IJB Internal Audit Charter as outlined in Appendix 1.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

- 4.1 The Chief Internal Auditor has drafted an Internal Audit Charter in line with the requirements of the Public Sector Internal Audit Standards. These standards are applicable to both NHS and Local Authority Internal Audit services.
- 4.2 The Charter sets out the purpose of the internal audit function as defined within the Public Sector Internal Audit Standards. It establishes the scope of the Internal Audit function and lays out the requirements of the Chief Internal Auditor. The role of the Chief Internal Auditor and the authority of that position is set out clearly alongside the controls in place to provide assurance of independence, ethics, confidentiality and objectivity.
- 4.3 The Charter will take effect from the date approved at the Performance and Audit Committee until such times as it is revoked or replaced.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Equality Impact Assessment. There are no major issues.

6.0 RISK ASSESSMENT

This report has not been subject to a risk assessment as it a status update and does not require any policy or financial decisions at this time.

7.0 CONSULTATIONS

The Chief Officer, Chief Internal Auditor and the Clerk were consulted in the preparation of this report.

8.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

Date: 6 November 2017

Dundee Integration Joint Board Internal Audit Charter

Introduction

This charter sets out the responsibility and authority for, and approach to, Dundee Integration Joint Board's (IJB) internal audit activity. This supplements the IJB's Financial Regulations.

This Audit Charter will take effect from the date it is approved by the Performance & Audit Committee until such a time that it is replaced or revoked. The Charter will be updated concurrently with any amendments to relevant sections of the Financial Regulations and subject to a full review at least biennially.

Mission and Values

The Internal Audit vision is *'Working Together to Provide Assurance and Add Value'*.

We work with our clients to provide an excellent service by understanding their values, their objectives and risks and the environment in which they operate. We value and listen to our staff and ensure that they have the skills and knowledge they require to help us to succeed, continuously assessing and improving the service we provide.

We will provide the best possible service to our clients and identify and focus on their needs. We will embrace innovation and learn from our clients and our competitors. Our work will add value, identifying issues and providing creative solutions whilst ensuring that we provide assurance and a meaningful assessment of the systems of internal control.

Internal Audit Standards

Overall responsibility for the internal audit rests with the Accountable Officer. As agreed by the IJB in May 2016, Fife, Tayside and Forth Valley Audit and Management Services (FTF) undertakes the role of Chief Internal Auditor to the IJB and oversees the delivery of the Internal Audit Service by the Dundee City Council and NHS Tayside internal audit teams.

The respective Chief Internal Auditors of Dundee City Council and NHS Tayside must ensure that internal audit activity is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) and the internal auditors' Code of Ethics (See Annex 1).

Purpose

The purpose of the internal audit function is defined within PSIAS:

'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.'

The purpose of Internal Audit internal audit activity is to provide the Chief Officer, as Accountable Officer, in an economical and timely manner, with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Chief Internal Auditor's opinions are a key part of the framework of assurance that the Accountable Officer needs to inform the completion of the Annual Governance Statement.

Scope

As stated in the IJB's Financial Regulations, internal audit reviews the adequacy of the arrangements for risk management, governance and control of the allocated resources.

Internal Audit scope must be sufficient to provide the Accountable Officer with the opinion on the adequacy and effectiveness of internal control required to support the IJB's Governance Statement.

The IJB's Chief Internal Auditor will prepare and submit a strategic risk based audit plan to the Audit Committee for approval. It is recommended this is shared for information with the relevant committee of the NHS and the Council. The annual plan will set out the expected qualified staffing skill-mix to ensure staff are suitably trained with appropriate skills.

The IJB's Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the IJB (or Audit Committee) indicating the extent of audit cover achieved and achievement of any KPIs agreed, a summary of audit activity during the year, and providing an opinion on the framework of internal control / assurance and the adequacy and effectiveness of internal controls.

In accordance with Integrated Resource Advisory Group (IRAG) guidance the annual audit report and IJB Chief Internal Auditor's opinion will also be reported to the Audit Committees of NHS Tayside and the Council.

As stated in the IJB's Financial Regulations, the IJB, Chief Officer and Chief Finance Officer have a duty to inform the Council's Chief Internal Auditor and the NHS Counter Fraud Service of any suspicion of fraud, irregularity or any other matter concerning the contravention of the Financial Regulations affecting assets of the IJB or the Parties. The Chief Internal Auditor of the IJB will be notified by the Partners to be aware of any control weaknesses.

Authority

The IJB shall ensure that, for all audits relating to all IJB functions, internal auditors are entitled without necessarily giving prior notice to require and receive:

- ◇ Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- ◇ Access at all reasonable time to any land, premises or employee of each organisation;
- ◇ The production of any cash, stores or other property of each organisation under an employee's control; and
- ◇ Explanations concerning any matter under investigation.

The Chief Internal Auditor or their representative and the External Auditor have a right of attendance at all IJB and Committee meetings. The Chief Internal Auditor and External Auditor shall have the right to direct access to the Chairs of the IJB and any Committees.

Assurances provided to parties outside the organisation

As required by the IRAG guidance, the IJB's annual internal audit report is shared with the partner Health Board and Local Authority through the reporting arrangements in those bodies for internal audit.

In accordance with the principle that the parties and the IJB share both risks and accountabilities in many areas, Internal Audit plans of the Health Board and Council will be presented to the IJB Audit Committee and vice-versa, so that all parties can understand and comment on the assurances which will be received from this work and identify the opportunity for shared working.

Internal Audit will not provide assurance on activities undertaken by Dundee IJB to outside parties without specific instruction from the IJB, unless in accordance with an agreed reporting protocol which will also include the requirement to share reports and working papers with the statutory External Auditors as well as the application of the Freedom of Information (Scotland) Act 2002.

Reporting arrangements

Arrangements for reporting and follow-up are set out in the reporting and follow-up protocols (to be finalised).

Appointment of CIA and Internal Audit Staff, Professionalism, Skills & Experience

The Chief Internal Auditor will be a member of a CCAB Institute or CMIIA with experience equivalent to at least five years post-qualification experience and at least three years of audit.

Independence

PSIAS requires the Internal Audit function to be independent and objective, to interact directly with the Board and to have unfettered access to the Accountable Officer. When assisting management in establishing or improving risk management processes, Internal Audit will refrain from assuming any management responsibility by actually managing risks.

Quality Control and KPIs

Staff from both the NHS and Local Authority Internal Audit Services will undertake their work in compliance with Public Sector Internal Audit Standards.

Internal audit staff will prepare audit specifications for each audit or group of audits within the annual programme. These will be agreed by the IJB's Chief Internal Auditor and provided to management with responsibility for the area under audit for comment and approval. Target dates will be included for each audit assignment and achievement measured.

Audits will be carried out in accordance with the agreed specification and each service's internal audit methodology and subject to their standard quality assurance processes. Should this not be achievable the CIA will raise this with the Accountable Officer.

The service will agree KPIs with management and report on their achievement within the annual internal audit plan.

ANNEX 1

Internal Auditors' Code of Ethics

Principles

1. Integrity Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of

3. Confidentiality Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4. Competency Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

