



REPORT TO: PERFORMANCE & AUDIT COMMITTEE – 28 NOVEMBER 2017
REPORT ON: INTERNAL AUDIT OUTPUT SHARING PROTOCOL
REPORT BY: CHIEF FINANCE OFFICER
REPORT NO: PAC36-2017

1.0 PURPOSE OF REPORT

The purpose of this report is to consider a proposed protocol for the sharing of Internal Audit work across the Tayside Integration Joint Boards, Tayside local authorities and NHS Tayside.

2.0 RECOMMENDATIONS

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

- 2.1 Notes the content of this report and approves the proposed Sharing of Audit Outputs Protocol as outlined in Appendix 1 to the report, subject to approval by all relevant parties.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

- 4.1 The Internal Audit arrangements in place across all three Tayside Integration Joint Board's (IJB) consists of Fife, Tayside and Forth Valley Audit and Management Services (FTF), the Internal Audit service provider for NHS Tayside, appointed as Chief Internal Auditor for each IJB with support provided from each of the local authority internal audit services. In the new integrated environment, there will often be a need to share internal audit outputs beyond the organisation that commissioned the work particularly when the audit output (e.g. internal audit reports / recommendations) is considered relevant to one or more of the other partners for assurance purposes. It is important this sharing of information is facilitated through a controlled process to facilitate joint working, protect confidentiality and avoid duplication of effort.
- 4.2 The attached Sharing of Audit Outputs Protocol sets out the principles in relation to this sharing of information in order that all parts of the system receive appropriate information on the adequacy and effectiveness of internal control within their scope, including controls operated by other bodies which impact on their control environment. This protocol has been developed following discussions between FTF Audit and the Local Authority Chief Internal Auditors and is intended for consideration by all relevant Audit Committees.
- 4.3 In addition there is the need to consider the rights of IJB audit staff who may require access to Health Board employees, documents and property. Currently, under the Standing Financial Instructions (SFIs) and the NHS Tayside Internal Audit Charter, such rights are granted to NHS Tayside designated Auditors conducting audits within NHS Tayside. SFIs and the Audit Charter state that:

“The Director of Finance or designated 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.”

4.4 Integrated Resource Advisory Group (IRAG) guidance requires the sharing of IJB Internal Audit plans and annual reports with the parent bodies. The attached paper extends that principle to allow for relevant assurances to be provided to each body within the system. Additional consideration will also need to be given to the scope of the information provided. For example, NHS Tayside's Internal Audit Reporting protocol allows all NHS Tayside Audit Committee members full access to all NHS Tayside Internal Audit Reports even though they are not necessarily presented in full to the Audit Committee. All reports graded 'D' or below are presented in full to the Audit Committee. The same systems do not apply within all Local Authority Partners where generally only summary reports are provided for scrutiny therefore there will need to be further discussion on the issue of whether IJB Audit Committee members will be entitled to receive full reports from the parent bodies and vice-versa.

4.5 At this stage, this protocol has not been laid before either NHS Tayside's Audit Committee or Dundee City Council's Scrutiny Committee for consideration. The adoption of this protocol in full for Dundee IJB is therefore dependent on it being adopted by all three parties.

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

Tayside IJBs / NHS Tayside / Tayside Local Authorities – Sharing of Audit Outputs Protocol

Introduction

FTF Audit, the Internal Audit service providers for NHS Tayside, were appointed to provide the Chief Internal Auditor function for all Tayside IJBs with the Internal Auditors of both parties providing input to the delivery of the IJB audit plans. This arrangement will be reviewed by all Tayside IJBs in 2017/18.

In the new integrated 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.

Integrated Resource Advisory Group (IRAG) guidance states that “ *To ensure that the risk based audit plans for the Integration Joint Board, 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 within their purview, including controls operated by other bodies which impact on their control environment. Throughout this paper, Audit Committee refers to the Standing Committee of the organisation charged with responsibility for audit and assurance.

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.*’ This principle is agreed and the approved IJB annual internal audit plans will be shared with the relevant committees of NHS Tayside and the Tayside Local Authorities.

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 Internal Audit plans of the Health Board and Local Authorities will also be presented to the IJB Audit Committee for noting. This will also provide each Audit Committee, whilst respecting the primacy of 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 and to highlight any areas where they might wish to ensure that particular issues, relevant to their IJB are taken into account.

Individual Audit Reports

IJB Audits

When conducting audits of the IJB, FTF and Local Authority 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 will be used for all 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.

A summary final report for each audit assignment will be presented to the IJB Audit Committee for scrutiny purposes, with a full copy available to IJB Audit Committee members on request. These summary reports shall also be shared with the NHS Tayside and relevant council Audit Committee(s).

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 Tayside and Dundee City Council, Perth & Kinross Council, Angus 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.

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; this shall include being presented to their respective Audit Committees. 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 Tayside or a Dundee City Council/ Perth & Kinross Council/ Angus 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 Tayside and Dundee City Council / Perth & Kinross Council / Angus Council internal audit services.

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 Local Authority and Health Board Annual Internal Audit Reports are presented to the IJB Audit Committee for noting as part of the overall assurance portfolio in support of the governance statement.