



SUBJECT:	Internal Audit Plan 2017/2018
TO:	Finance and Audit Sub-Committee
Lead Officer for Report:	Chief Accountable Officer
Author(s) of Report	Head of Audit and Inspection (North Lanarkshire Council) and Chief Internal Auditor (NHS Lanarkshire)
DATE:	12 September 2017

1. PURPOSE OF REPORT

1.1 This paper is coming to the Finance and Audit Sub-Committee (FAC):

For approval <input checked="" type="checkbox"/>	For endorsement <input type="checkbox"/>	For noting <input type="checkbox"/>
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1.2 This report:-

- (1) Seeks the approval of the FAC for the North Lanarkshire Integrated Joint Board 2017/18 Annual Internal Audit Plan.

2. ROUTE TO THE FINANCE AND AUDIT SUB-COMMITTEE

2.1 This paper has been:

Prepared By; Head of Audit and Inspection (North Lanarkshire Council) and Chief Internal Auditor (NHS Lanarkshire)	Reviewed By; Chief Financial Officer
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3. RECOMMENDATIONS

3.1 The FAC is asked to agree the following recommendations:

- (1) Note the contents of the report; and
- (2) Approve the proposed Internal Audit Plan for 2017/2018.

4. BACKGROUND/SUMMARY OF KEY ISSUES

4.1 As stated in the IRAG guidance, it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for the review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.

4.2 The 2016/2017 Internal Audit Plan indicated that we would seek to identify areas for inclusion within the audit universe and develop a 3 year strategic audit plan congruent with the IJB's risk register. However, it is now clear that the development of a 3 year plan would not be appropriate given the emergent nature of the IJB, the continuous development and understanding of the control and risk environment in which the IJB operates and the changing needs of the organisation.

4.3 It has therefore been concluded that the discretionary elements of this year's plan will be focused around the North Lanarkshire IJB's strategic risk register, with individual topics also informed by the professional views of the IJB Chief Officer and Chief Financial Officer and the

Chief Internal Auditors of both parties. It also takes account of assurances which can be provided to the IJB based on work performed under the internal audit plans of both parties.

5. CONCLUSIONS

- 5.1 The internal audit plan is designed to provide the Chief Internal Auditors with sufficient evidence to form an opinion on the adequacy and effectiveness of internal controls.
- 5.2 The proposed internal audit plan for 2017/2018 is attached at appendix 1. The plan has been designed to target the priority issues identified by our assessment of risk. The plan includes the delivery of standard products required each year, and is further based on the professional judgement of the IJB risk environment. We therefore assessed audit need based on the IJB's own strategic risks taking into account findings from our 2016/2017 Annual Internal Audit work and benchmarking with other IJBs.
- 5.3 A total of 100 days have been included in the 2017/2018 Internal Audit Plans of the parties. Resources to deliver the plan will be provided by the NHS Lanarkshire (NHSL) and North Lanarkshire Council (NLC) Internal Audit services. Work to deliver the internal audit plan is undertaken under the supervision of the Chief Internal Auditor.
- 5.4 The plan is predicated on the basis that operational controls over services are maintained and assured through the parties. As such, the internal audit plans of NHSL and NLC are included as appendices 2 & 3 to this report.
- 5.5 The Chief Financial Officer has been consulted on the proposed plan.

6. IMPLICATIONS

6.1 NATIONAL OUTCOMES

This relates to all nine national outcomes.

6.2 ASSOCIATED MEASURE(S)

The FAC and both partners are required to ensure effective governance arrangements are in place.

6.3 FINANCIAL

This paper has been reviewed by Finance:

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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6.4 PEOPLE

None.

6.5 INEQUALITIES

EQIA Completed:

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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6.6 CARBON MANAGEMENT IMPLICATIONS

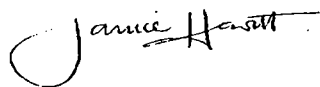
Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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7. BACKGROUND PAPERS

None.

8. APPENDICES

Proposed Internal Audit Plan 2017/2018	Appendix 1
IJB Strategic Risk Register	Appendix 2
NLC Internal Audit Plan	Appendix 3
NHSL Internal Audit Plan	Appendix 4



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CHIEF ACCOUNTABLE OFFICER (or Depute)

Members seeking further information about any aspect of this report, please contact Marie Moy on telephone number 01698 453709.

Ref	Audit	Indicative Scope	Days	Target Audit Committee
NL01-18	Audit Planning	Agreeing audit universe and preparation of strategic plan	3	September 2017
NL02-18	Audit Management	Liaison with managers and Directors and attendance at Audit Committee	5	Ongoing
NL03-18	Annual Internal Audit Report	CIA's annual assurance statement to the IJB and review of governance self-assessment	7	June 2018
NL04-18	Risk Management	Review of systems of risk management, assessment of risk maturity and consideration of assurances mechanisms for key controls, required to implement risk based audit approach	10	December 2017
NL05-18	Strategic and operational Planning	<p>Review of Strategic Planning in order to ensure that :</p> <ul style="list-style-type: none"> • There is a process in place for revisiting and updating the Strategic Plan in the context of the financial and other risks that have emerged during the first year and a full knowledge of available resources; • The high level objectives of the Strategic Plan have been appropriately incorporated into a Local Delivery Plan for implementation, which sets out how the Strategic Plan will be delivered, including priorities, timescales and risks to achievement. • The IJB has sufficient capacity to implement its strategic priorities and affect service change • There is appropriate as the governance oversight of these processes. 	35	March 2018
NL06-18	Financial Management	Review of Financial Planning, and budgetary control and efficiency	30	March 2018
NL07-18	Governance	Working with management to review overall governance arrangements and produce realistic action plans to be reviewed and monitored by the Audit Committee	10	December 2017

IJB Strategic Risk Register

Appendix 2

IJB ID	Category	Description of Risk	Risk Level (initial)	Mitigating Controls	Risk Level (current)	Risk Level (Target)	Internal Audit coverage 2017-18
IJB1	Financial Strategic Reputational	There is a risk that health and social care services will not be delivered by NHSL or NLC in line with the strategic plan because of in year budget pressures, leading to an impact on the quality of services and overall deliverability of the plan.		<ol style="list-style-type: none"> 1. JIB Finance & Audit Committee 2. HSCP Budget Monitoring meetings 3. Budget monitoring and oversight 4. Prescribing Action Plans 5. Capacity plans to maximise efficiency 		2MED	<p>Included? Yes</p> <p><u>Rationale</u> Risk currently rated at Very High and linked to a number of other very high risks.</p> <p><u>Any previous audit coverage?</u> Financial reporting was covered in the 2016/17 Internal Audit Plan and also by the IJB's External Auditors within their annual report.</p> <p><u>Other relevant assurance</u> The 2017/18 NHS Lanarkshire Internal Audit plan contains consideration of savings with the NL Council plan including savings and sustainability</p>
IJB2	Financial Strategic	There is a risk that the IJB will be unable to enact the Strategic Commissioning intentions because of budget reductions or late SG financial settlement, leading to failure to achieve the desired strategic aims and an impact on service delivery.		<ol style="list-style-type: none"> 1. JIB Finance & Audit Committee 2. HSCP Budget Monitoring meetings 3. Budget monitoring and oversight 4. Prescribing Action Plans 5. Capacity plans to maximise efficiency 6. Regular budget meetings with CEs & DoFs 		2MED	<p>Included? Yes</p> <p><u>Rationale</u> Risk currently rated at Very High and linked to a number of other very high risks.</p> <p><u>Any previous audit coverage?</u> Financial reporting was covered in the 2016/17 Internal Audit Plan and also by the IJB's External Auditors within their annual report.</p> <p><u>Other relevant assurance</u> The 2017/18 NHS Lanarkshire Internal Audit plan contains consideration of savings with the NL Council plan including savings and sustainability</p>

IJB ID	Category	Description of Risk	Risk Level (initial)	Mitigating Controls	Risk Level (current)	Risk Level (Target)	Internal Audit coverage 2017-18
IJB3	Strategic	There is a risk that the SCP does not meet the needs of the NL population because it is not produced on time, rejected by the public or fails to take into account the true needs, leading to failure to achieve the desired strategic aims.	3HIGH	<ol style="list-style-type: none"> 1. Joint Strategic Needs Assessment 2. HSCP Budget monitoring meetings 3. Strategic Planning Group 4. Locality engagement levels 5. Commissioning Plan Programme Board and workstreams 	3HIGH	2MED	<p>Included? Yes</p> <p><u>Rationale</u> A robust, current Strategic plan is central to the success of the IJB and impact on all objectives and strategic risks.</p> <p><u>Any previous audit coverage?</u> No.</p> <p><u>Other relevant assurance</u> None</p>
IJB4	Financial Operational	There is a risk that NHSL or NCL are unable or unwilling to implement the directions for service delivery from the JIB because of a range of pressures such as workforce or finance, leading to a failure to achieve the strategic aims.	3HIGH	<ol style="list-style-type: none"> 1. JIB Finance & Audit Committee 2. HSCP Budget monitoring meetings 3. Budget monitoring & oversight 4. Support, Care and Clinical Governance Committee 5. Workforce Plan 	3HIGH	2MED	<p>Included? No</p> <p><u>Rationale</u> Directions are dependent upon a robust, current Strategic and operational plan which should therefore take precedence in the audit plan</p> <p><u>Any previous audit coverage?</u> No</p> <p><u>Other relevant assurance</u> None</p>

IJB ID	Category	Description of Risk	Risk Level (initial)	Mitigating Controls	Risk Level (current)	Risk Level (Target)	Internal Audit coverage 2017-18
IJB5	Strategic Reputational	There is a risk that the SCP is unable to meet its desired aims because of an inability to enact genuine culture change in the NL population, leading to continued reliance on unscheduled services and continued service pressures.	3HIGH	<ol style="list-style-type: none"> 1. Communication and engagement strategy 2. Strategic Planning Group 3. User and Carer Forum 4. Partnership Boards – Users and carers represented 5. Use of PPF and community forums 	3HIGH	2MED	<p>Included? No</p> <p><u>Rationale</u> As IJB 4 above</p> <p><u>Any previous audit coverage?</u> No</p> <p><u>Other relevant assurance</u> None</p>
IJB6	Financial Reputational	There is a risk that the JIB is unable to prevent and detect fraud and corruption within services because of the inadequate governance and systems leading to financial and reputational damage.	2MED	<ol style="list-style-type: none"> 1. Fraud awareness eLearning 2. National Fraud Initiative 3. Locality S/W Enablement Groups 4. Segregation of duties in relation to authorising and processing direct payments 5. Raise fraud awareness through team briefings 	2MED	2MED	<p>Included? No</p> <p><u>Rationale</u> All operational decisions are enacted within the parent bodies and therefore audit coverage should be directed within the parent bodies' Internal Audit plans</p> <p><u>Any previous audit coverage?</u> Both parent bodies have full Internal Audit coverage of this area.</p> <p><u>Other relevant assurance</u> CFS reports for NHSL.</p>

IJB ID	Category	Description of Risk	Risk Level (initial)	Mitigating Controls	Risk Level (current)	Risk Level (Target)	Internal Audit coverage 2017-18
IJB7	Financial Operational	There is a risk that the SCP will be unable to fully mitigate rising demand because of demographic change and financial pressures, leading to an impact on the quality and accessibility of health and care services and a failure to achieve the desired strategic aims.	3HIGH	<ol style="list-style-type: none"> 1. Joint Strategic Needs Assessment 2. Performance, Scrutiny and Assurance Sub-Committee 3. Strategic Planning Group 4. Locality Engagement sessions 5. Partnership Boards 	3HIGH	2MED	<p>Included? Yes</p> <p><u>Rationale</u> A key area related to both Strategic Planning and Financial Management</p> <p><u>Any previous audit coverage?</u> No</p> <p><u>Other relevant assurance</u> None</p>
IJB8	Strategic	There is a risk that the IJB is unable to provide adequate operational oversight because of insufficient governance structures leading to a failure to mitigate operational performance deficits through the planning process.	2MED	<ol style="list-style-type: none"> 1. Finance & Audit Sub-Committee 2. Performance, Scrutiny and Assurance Sub-Committee 3. HSCP Operational Structures 4. Support, Care and Clinical Governance 5. Senior Leadership Team 	2MED	2MED	<p>Included? Yes</p> <p><u>Rationale</u> Full governance review to be undertaken to reflect the emergent accountability and review arrangements and applying key governance principles to partnership working</p> <p><u>Any previous audit coverage?</u> Annual Internal Audit report</p> <p><u>Other relevant assurance</u> NL Council plan includes consideration of governance arrangements with the IJB. NHS Interim and annual review consider the implications of HSCI on the Health Board governance arrangements</p>

IJB ID	Category	Description of Risk	Risk Level (initial)	Mitigating Controls	Risk Level (current)	Risk Level (Target)	Internal Audit coverage 2017-18
IJB9	Strategic	There is a risk that the SCP is unable to be enacted because of a lack of availability of GPs leading to a lack of continuity in medical provision within communities and a significant impact on the developments around Locality Modelling.		<ol style="list-style-type: none"> 1. GP Clusters to support more collaborative ways of working 2. Implementing a sustainability Assessment Framework 3. Engagement with LMC 4. Contingency planning with Primary Care administration depot 5. Primary Care Strategy Board and Primary Care Transformation Board to identify new ways of working including extended roles of other clinicians (Pharmacists, Nurses) 6. GP Recruitment and Retention fund from SG to enable local solutions 		2MED	<p>Included? Partially</p> <p><u>Rationale</u> To be considered as part of the review of Strategic and operational planning</p> <p><u>Any previous audit coverage?</u> No</p> <p><u>Other relevant assurance</u> None</p>

IJB ID	Category	Description of Risk	Risk Level (initial)	Mitigating Controls	Risk Level (current)	Risk Level (Target)	Internal Audit coverage 2017-18
IJB10	Financial Strategic Reputational	There is a risk that Carer Support organisations in NL are vulnerable in 2017/18 because of recent funding decreases, leading to a loss of experienced staff and future challenges when implementing the Carers Act in 2017/18.	3HIGH	<ol style="list-style-type: none"> 1. Planning within NL Carers strategy Implementation Group 2. Working Group for rollout of Carers Act being formed 3. NL reps on key national working groups for Carers Act 4. Carer representation on Integrated Service Review Board 5. Funding secured to extend contracts for Lanarkshire Carers Centre and NL Carers Together until 31.03.18 6. Pan Lanarkshire review of support for carers commenced 	3HIGH	3HIGH	<p>Included? Yes</p> <p><u>Rationale</u> To be included in overall review of strategic and operational planning to ensure that consideration of strategic risks is embedded within planning.</p> <p><u>Any previous audit coverage?</u> No</p> <p><u>Other relevant assurance</u> None</p>

Topic	Days	Proposed scope
Corporate governance	250	
Risk management	25	Review the adequacy and effectiveness of the Council's risk management arrangements
Transformational change	50	To review the Council's approach to, and progress in, delivering transformational change and key service review projects
Corporate governance - Compliance with Code	40	Review the adequacy and effectiveness of the Council's corporate governance arrangements
Performance management	25	Assess the implementation, adequacy and effectiveness of the Council's revised approach to performance management
Public performance reporting	40	Review the accuracy of reporting performance data and compliance with statutory obligations
ALEOs - Following the Public Pound	15	High-level review only of the Council's revised approach to oversight and monitoring of ALEOs
Governance of capital projects (including new housing programme)	40	Review how effectively the Council manages the planning and delivery of large capital projects
Social Work - governance arrangements within the Council	15	Review the appropriateness and effectiveness of relevant governance arrangements post-May elections
Financial management and key financial systems	275	
Financial systems key controls - Payroll	60	Focused on the adequacy and effectiveness of key application controls within I-Trent
Financial systems key controls - Creditors	30	Focused on the adequacy and effectiveness of key controls around payment authorisation
Financial systems key controls - Council Tax	30	Focused on the adequacy and effectiveness of key controls around collection and recording of income
Financial systems key controls - Treasury management	30	Focused on the adequacy and effectiveness of key controls and assessing compliance with relevant CIPFA Code of Practice
Regularity work - financial systems - Housing Benefits	25	Substantive testing on accuracy of claims processing
Regularity work - financial systems - Payroll	25	Substantive testing on controls associated with overtime payments

Topic	Days	Proposed scope
Financial management and key financial systems (continued)		
Regularity work - financial systems - Creditors	25	Substantive testing on controls associated with authorisation of payments
Financial management - achievement of planned financial savings	25	Assess arrangements for monitoring progress in achieving planned 2017-18 savings
Financial management - approaches to financial sustainability	25	To review how the Council is responding to the need to demonstrate longer-term financial stability
Key corporate risks	295	
Contract management	60	Review the adequacy and effectiveness of the Council's approach to contract management (work across all Services)
Follow-up: Business continuity planning	20	Follow-up previous audit findings and assess whether previous weaknesses have been adequately and effectively addressed
Follow-up: ICT security	20	Follow-up previous audit findings and assess whether previous weaknesses have been adequately and effectively addressed
Health and Safety	30	Review the adequacy and effectiveness of the Council's approach to health and safety issues
City Deal	15	Provide assurance to GCC Internal Audit in accordance with the City Deal Assurance Framework
Human Resources - <i>(scope to be agreed but not equal pay)</i>	30	Likely to focus on the implementation and effectiveness of key aspects associated with the new HR model
Community Empowerment Act - implementation	30	Likely to focus on the adequacy and effectiveness of the Council's actions taken in response to this piece of legislation
Flexible and mobile working	30	Assessing the implementation of relevant policy decisions and how key risks associated with this initiative are being managed
Partnerships risks	40	Reviewing how the Council manages key partnership and key supplier risks
Health and Social Care integration	20	Reviewing how well the Council is managing key risks it faces arising from the integration of health and social care

Topic	Days	Proposed scope
Other service risks	110	
Pre-employment verification checks	20	Assess the controls in place to ensure that satisfactory disclosure checks are undertaken for all relevant staff
Contract management of care providers (home care and residential)	30	Assess the adequacy and effectiveness of processes in place to monitor the performance of home care and care home providers
Schools – School Attainment Challenge Funding	20	High-level assurance on the extent to which spend is consistent with purposes for which it was provided
Schools - quality assurance arrangements	40	High-level review of the Services arrangements for reviewing and improving quality (including responding to HMIE inspections)
Fraud	230	
National Fraud Initiative	50	Internal Audit work associated with co-ordinating the Council's response and undertaking detailed review of selected cases
Review of the Council's Anti-Fraud arrangements	30	Annual review to support annual opinion on corporate fraud arrangements
Fraud and irregularity investigations	150	Demand-led allowance to enable investigations to be undertaken as required
Provision of IA services to third parties	120	
Integrated Health and Social care - North Lanarkshire JIB	60	Annual programme of work to be agreed with NL JIB Finance and Audit Committee
Service Level Agreement - Culture NL	30	Annual programme of work to be agreed with Culture NL management and Audit Committee
Service Level Agreement - NL Leisure	30	Annual programme of work to be agreed with NL Leisure management and Audit Committee

NHS Lanarkshire Operational Internal Audit Plan 2017/2018**Appendix 4****AUDIT PROCESS****60**

Ref.	Description	Scope	No. of Days
L 1 18	Audit Risk Assessment & Planning	Audit Risk Assessment & Operational Planning	10
L 2 18	Audit Management & Liaison with Directors	Audit Management, Liaison with Directors of Finance and other Officers	20
L 3 18	Liaison with External Auditors and other review bodies	Liaison and co-ordination with External Audit & other review bodies	5
L 4 18	Audit Committee	Briefings, preparation, attendance and action points	15
L 5 18	Clearance of Prior Year	Provision for clearance and reporting of 2016-2017 Audit Reports	10

CORPORATE GOVERNANCE**155****Accountability and Assurance**

Ref.	Description	Scope	No. of Days
L 6 18	Annual Internal Audit Report	CIA's annual assurance to Audit Committee	10
L 7 18	Governance Statement	Preparation of portfolio of evidence to support governance statement	15
L 8 18	Interim review	Report to show progress and allow remedial action in year	15
L 9 18	Audit Follow-up	Review of the audit follow-up mechanism & selective examination	40

Control Environment

Ref.	Description	Scope	No. of Days
L 10 18	Code of Corporate Governance (Sos, SFIs and SoD)	To include assistance with development where requested by client, inc procedures /plan for identification, review, approval and distribution, communication to the public, patients and staff.	10

L 11 18	Assurance Framework	Assurance structures (inc Audit Committee); relevance, reliability, timeliness and quality of evidence	20
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Risk Management

L 12 18	Risk Management Strategy, Standards and Operations	Review of strategy and supporting structures in order to conclude on risk maturity	20
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L 13 18	Staff and Patient Environment	Water safety and asbestos, ligature assessments	25
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HEALTH PLANNING**145****Health Plan**

Ref.	Description	Scope	No. of Days
L 14 18	Improvement, innovation and operational planning	Delivering effective and efficient person-centred services, planning and performance management with community planning partners and other NHS bodies	25

L 15 18	2020 Priorities	Specific reviews within Primary Care, unscheduled care or chronic conditions, early years, health inequalities and prevention	20
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Service Monitoring

Ref.	Description	Scope	No. of Days
L 16 18	Organisational Performance Reporting	Accurate, relevant and reliable reporting on delivery of strategic and operational objectives	20

Effective Partnerships and Integrated Care

Ref.	Description	Scope	No. of Days
L 17 18	Health and Social Care Integration	Working with local authority partners to deliver IJB Internal Audit Plan ongoing review of Health Board HSCI risk and associated controls	80

CLINICAL GOVERNANCE

45

Quality of Care

Ref.	Description	Scope	No. of Days
L 18 18	Adverse Event Management	Recording and learning from incidents	20

Patient Safety

Ref.	Description	Scope	No. of Days
L 19 18	Medicines Management	Accountable Officer compliance, arrangements for efficient and effective prescribing and CEL (2014) 17	25

STAFF GOVERNANCE**20****Staff Governance Arrangements**

Ref.	Description	Scope	No. of Days
L 20 18	Staff Governance (including Remuneration sub committee)	Arrangements to comply with Staff Governance standard including Remuneration sub-Committee	20

FINANCIAL ASSURANCE**40****Use of Resources**

Ref.	Description	Scope	No. of Days
L 21 18	Savings Programme	Management and reporting of achievement of EG targets	25

Accountability

Ref.	Description	Scope	No. of Days
L 22 18	Losses and Compensation	Arrangements for investigating losses and preventing unnecessary recurrence	15

FINANCIAL MANAGEMENT**20****Financial Control**

Ref.	Description	Scope	No. of Days
L 22 18	Financial Planning	Strategic financial planning and prioritisation to support Corporate strategies and priorities	20

CAPITAL INVESTMENT

Ref.	Description	Scope	No. of Days
L 23 18	Property Transaction Monitoring and Property disposals	Post Transaction Monitoring, Efficient effective planning for property disposal	10

TRANSACTION SYSTEMS

Ref.	Description	Scope	No. of Days
L 24 18	Financial Process Compliance	Compliance testing of central Payroll, travel, accounts payable, account receivable, bank arrangements	20
L 25 18	Service Contract expenditure	Contracts for services received	20

INFORMATION GOVERNANCE

Ref.	Description	Scope	No. of Days
L 26 18	Information Security Framework	Implementation of NHSScotland information security policy framework including ICT Asset Security, e-health Business Continuity and Disaster Recovery	10

Ref.	Description	Scope	No. of Days
L 27 18	eHealth Strategic Planning and Governance	Strategic IT planning including technological, processes, human resources and IT Governance.	20
L 28 16	NHS Scotland Waiting Times Methodology	Annual Independent Assurance over the monthly audit process	10

e-health

Data			Description	Scope	No. of Days
Ref.					
L	29	18	Data Quality	Processes to ensure data is collated appropriately and reported accurately and timeously to the right people	15

CONTINGENCY

105

Contingency

Ref.			Description	Scope	No. of Days
L	30	18	Contingency reserve	Contingency reserve for investigations, reviews and consultancy.	45
L	31	18	Departmental Reviews	Holistic Reviews of individual departments/wards selected following detailed discussion with management	60