

Audit Committee Annual Report to the Board

Report to: Board

Date: 24 October 2014

Report by: Mike Cairns, Convener of the Audit Committee

Report No: B-21-2014

Agenda Item: 8.5

PURPOSE OF REPORT

This report represents a summary of the work of the Audit Committee, gives the Committee's opinion on the assurance that this work provides and recommends that the Board approves the Annual Report and Accounts.

RECOMMENDATIONS

That the Board:

1. Notes the work of the Audit Committee
2. Notes the Committee's assessment of its performance and the plans to address development areas
3. Agrees that it is appropriate for the Chief Executive to sign the Strategic Report, Directors' Report, Remuneration Report, Statement of Accountable Officer's Responsibilities, Governance Statement and Statement of Financial Position.
4. Approves the 2013/14 Annual Report and Accounts.

Agenda Item 8.5

Report Number:
B-21-2014

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
1.0	Senior Management	ET		29/05/14
	Legal Services			
	Resources Directorate			
2.0	Committee Consultation	Audit Committee		18/06/14
3.0	(where appropriate)			27/08/14
	Partnership Forum Consultation			23/09/14
	(where appropriate)			

Equality Impact Assessment

To be completed when submitting a new or updated policy (guidance, practice or procedure) for approval.

Policy Title:

Date of Initial Assessment:

EIA Carried Out

YES

NO

If yes, please attach the accompanying EIA and briefly outline the equality and diversity implications of this policy.

If no, you are confirming that this policy will have no negative impact on people with a protected characteristic and a full Equality Impact Assessment is not required.

Name: Kenny Dick

Position: Head of Finance and Corporate Governance

Authorised by Director

Name: G Weir

Date: 10 June 2014

Version: 4.0

Status: Final

Date: 17/10/2014

1.0 INTRODUCTION

The Audit Committee Annual Report to the Board summarises the work of the Audit Committee for the past financial year and presents the Committee's opinion on the assurance that this work provides. The report also contains the Audit Committee's recommendation to the Board on the approval of the Annual Report and Accounts.

2.0 REMIT OF THE AUDIT COMMITTEE

The purpose of the Audit Committee is to take an overview of the financial reporting arrangements of the Care Inspectorate, the external and internal audit arrangements and also to ensure that there is a sufficient and systematic review of the internal control arrangements of the organisation, including arrangements for risk management and business continuity planning.

The Audit Committee is also responsible for providing advice to the Board on the development of Quality Indicators and Key Performance Indicators to underpin the Corporate Plan.

3.0 SUMMARY OF AUDIT COMMITTEE WORK

3.1 Internal Audit Reports Considered

Scott Moncrieff, the Internal Auditors, use a system for categorizing assurance levels where each control objective is assessed and categorized using a colour coded approach. The colour code system is as follows:

BLACK - Fundamental absence or failure of key control procedures – immediate action required.

RED - The control procedures in place are not effective – inadequate management of key risks.

YELLOW - No major weaknesses in control but scope for improvement.

GREEN - Adequate and effective controls which are operating satisfactorily.

Version: 4.0	Status: Final	Date: 17/10/2014
--------------	---------------	------------------

Agenda Item 8.5

Report Number:
B-21-2014

The following reports were submitted to and considered by the Committee:

Audit Plan Year	Report	Committee Date	Assurance
2013/14	Payments & Creditors	18/11/13	1 Yellow 3 Green
2013/14	Financial Ledger	18/11/13	1 Yellow 4 Green
2013/14	ICT Road Map (Audit visit memo)	18/11/13	n/a
2013/14	Quality Assurance (consultancy style report)	18/03/14	n/a
2013/14	Governance Arrangements	18/03/14	5 Green
2013/14	Budget Monitoring	18/03/14	2 Yellow 3 Green

The Complaints Handling, Shared Service Review and Development /Implementation of Methodology audits planned for 2013/14 have been deferred to 2014/15.

3.2 Consideration of the Care Inspectorate's 2012/13 Annual Report and Accounts

At the meeting of 3 October 2013, the Committee considered the draft Annual Report and Accounts for 2012/13 and the associated report from Audit Scotland and recommended that the Board approve the 2012/13 Annual Report and Accounts.

The Committee reviewed the Governance Statement which is included within the Annual Report and Accounts.

3.3 Review of Audit Plans

The Committee reviewed and approved the Internal Audit Plan for 2013/14 and monitored progress against this plan throughout the year.

The draft Strategic Audit Plan 2013/16 and Annual Internal Audit Plan 2014/15 have been reviewed. This review strives to ensure a strong relationship between the planned internal audits, the strategic risk register and the Care Inspectorate's duty to provide Best Value. The final versions of these plans are to be approved early in 2014/15.

The Committee agreed Audit Scotland's External Audit Plan for 2013/14.

3.4 Implementation of Audit Recommendations

Throughout the year the Committee monitored management's progress towards implementing audit recommendations. This is achieved by regular reports from management summarizing progress and this is then validated by the recommendation follow up report supplied by the internal auditors on an annual

Version: 4.0	Status: Final	Date: 17/10/2014
--------------	---------------	------------------

basis. The internal auditors follow up review concluded that of the 38 actions due to be implemented by 31 March 2014, 30 (78%) were fully implemented, 4 (11%) were partially implemented and implementation dates have been extended for 4 (11%) actions.

3.5 Other Work

Review of Prevention of Fraud Policy and Response Plan

The Care Inspectorate's prevention of fraud and bribery policies were reviewed and agreed by the Audit Committee on 18 March 2014.

Annual Review of Risk and Risk Management

The Committee reviewed the strategic risk register at its meeting of 11 June 2013. All Board members participated in a risk review and planning session on 7 February 2014. Identified strategic risks are used to inform the Strategic and Annual Internal Audit Plans.

Key Performance Indicators (KPIs) and Quality Indicators (QIs)

The Committee agreed the strategic performance management framework including KPIs and the further development of Quality Indicators.

Horizon Scanning

The Committee has introduced a standing item to its meeting s agenda of Horizon Scanning. This is intended to allow time to consider internal or external developments which may require specific consideration at a future Audit Committee meeting and to consider relevant Audit Scotland reports.

3.6 Priorities for 2014/15

Risk Register

The regular review and update of the risk register is a task of significant importance. The Audit Committee will approve a revised strategic risk register early in 2014/15.

Strategic Performance Management Framework

The Committee will review and oversee the development of the Strategic Performance Management Framework including the development of appropriate and suitable Quality Indicators (QIs) and Key Performance Indicators (KPI)s.

Version: 4.0	Status: Final	Date: 17/10/2014
--------------	---------------	------------------

Board Members Development Session on the Annual Report and Accounts

All Board members are to be invited to a development session on the Annual Report and Accounts. This session will allow sufficient time for more detailed consideration and explanation of the information contained within the Annual Report and Accounts.

4.0 PROGRAMME OF COMMITTEE MEETINGS

2013/14	
Meeting Date	Business
11 June 2013	Internal Audit: <ul style="list-style-type: none"> • Recommendations Follow up • Internal Audit Annual Report • Strategic and Annual Internal Audit Plan • Internal audit performance measures External Audit: <ul style="list-style-type: none"> • Annual Report and Accounts statutory audit progress Care Inspectorate <ul style="list-style-type: none"> • Annual Review of Risk Register • Draft Audit Committee Report to Board 2012/13
27 August 2013	Care Inspectorate <ul style="list-style-type: none"> • Draft Annual Report and Accounts
3 October 2013	External Audit: <ul style="list-style-type: none"> • Report to those charged with governance on the 2012/13 audit Care Inspectorate <ul style="list-style-type: none"> • Draft Annual Report and Accounts • Draft Audit Committee Report to Board 2012/13
18 Nov 2013	Internal Audit: <ul style="list-style-type: none"> • Internal Audit Plan 2013-14 Progress Report • A5. Payments and Creditors • A6. Financial Ledger • B9. ICT Roadmap External Audit: <ul style="list-style-type: none"> • Planning and Governance re Annual Audit Plan

Agenda Item 8.5

Report Number:
B-21-2014

	Care Inspectorate: <ul style="list-style-type: none">• Audit Recommendations Progress Report• Planning for Review of Strategic Risk Register• An update on Performance Framework 2013-14
31 Jan 2014	Committee Effectiveness This was based on a self assessment checklist contained in the Audit Committee Handbook published by the Scottish Government. Section 6 of this report provides more detail.
18 March 2014	Internal Audit: <ul style="list-style-type: none">• Internal Audit Plan 2013/14 Progress Report• Draft Strategic Internal Audit Plan 2013-16 and Annual Internal Audit Plan 2014/15• C8 Quality Assurance• B8 Governance Arrangements• A7 Budget Monitoring External Audit: <ul style="list-style-type: none">• Annual Audit Plan 2013/14 – Annual Accounts Care Inspectorate: <ul style="list-style-type: none">• Care Inspectorate KPIs/QIs for 2014/15• Audit Recommendations Progress Report• Annual Review of Prevention of Fraud and Bribery Policies• Internal Audit Contingency Time• Update of Strategic Risk Register• Horizon scanning

5.0 FRAUD

5.1 The Committee received assurance at its meeting of 18 June 2014 that there had been no incidences of fraud detected during financial year 2013/14.

6.0 AUDIT COMMITTEE EFFECTIVENESS

6.1 The Committee has reviewed the way in which it operates and has made the assessment that it operates effectively. This conclusion was reached using national guidance on effective audit committees and an internal review framework which is consistently applied to all Care Inspectorate committees.

6.2 The Committee believes it has particular strengths in the following areas:

- The Audit Committee constructively challenges assurance providers about the

Version: 4.0	Status: Final	Date: 17/10/2014
--------------	---------------	------------------

scope of their activity, their evidence and conclusions.

- The Audit Committee has a good balance of members with the appropriate type and level of experience. Co-option of Committee members with particular specialist expertise would be considered where necessary or relevant.
- The planning of internal audit work is effective with good links between identified strategic risks and the audits planned over a rolling 3 year period. There is sufficient flexibility to respond effectively to emerging issues.
- The Audit Committee is clear about the Board's expectations of it.

6.3 The Committee has also identified the following areas that require to be developed:

- The Audit Committee are keen to receive more detailed assignment plans for consideration ahead of planned audits.

7.0 QUALITY OF INTERNAL AUDIT

The Committee has assessed the work of Scott-Moncrieff the appointed internal auditors for 2013/14. The Committee is of the view that the standard of internal audit work and the reports produced were of a good standard. Scott-Moncrieff's communication with Care Inspectorate staff and the administration of the internal audit programme was similarly of a good standard.

8.0 QUALITY OF EXTERNAL AUDIT

The Care Inspectorate's external auditors, Audit Scotland, are appointed by the Auditor General for Scotland.

External audit provide an audit plan, attend Audit Committee meetings and provide an informative report on their work. The Committee believes there is good working relationship developing between the Audit Scotland audit team, Care Inspectorate staff and the Audit Committee. The Committee also believes there is good integration between the work of internal and external audit.

9.0 ANNUAL GOVERNANCE STATEMENT

The Committee has reviewed the Annual Governance Statement contained within the Annual Report and Accounts. The Committee is of the opinion that the Statement fairly reflects the adequacy and effectiveness of the Care Inspectorate's governance and risk framework for the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts.

The statement addresses all issues that the Committee considers to be pertinent.

The Committee advises the Board and Accountable Officer that in its opinion it is appropriate for the Accountable Officer to sign the Statement.

Version: 4.0	Status: Final	Date: 17/10/2014
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10.0 ASSURANCE OPINION

The Committee is of the opinion that the assurances supplied are reliable, have integrity and are sufficiently comprehensive to support the Board and the Accountable Officer in their decision making and their accountability obligations.

11.0 ANNUAL REPORT AND ACCOUNTS

Following detailed review of the draft document and consideration of the external auditor's report, the Audit Committee consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Care Inspectorate's performance and strategy.

On this basis, the Committee recommends that the Board approves the Annual Report and Accounts for the year ended 31 March 2014.

12.0 RESOURCE IMPLICATIONS

There are no resource implications to consider.

13.0 BENEFITS FOR PEOPLE WHO USE SERVICES AND THEIR CARERS

The Audit Committee is a key element of the Care Inspectorate's governance arrangements and system of internal control. The Audit Committee has a significant role to play in managing risks that may prevent the achievement of corporate objectives which are all ultimately intended to benefit people who use services and their carers. Clear communication between the Audit Committee and the Board is essential to the performance of this role and this annual report to the Board is an important part of this communication process.