

Audit Committee Annual Report to the Board 2015/16

Report to: Board

Date: 30 September 2016

Report by: Mike Cairns, Convener of the Audit Committee

Report No: B-16-2016

Agenda Item: 9.5

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 Annual Report and Accounts at all of the appropriate points within the document.
4. Approves the 2015/16 Annual Report and Accounts.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
1.0	Senior Management			
	Legal Services			
	Resources Directorate			
2.0 3.0 4.0	Committee Consultation (where appropriate)	Audit Committee		
	Partnership Forum Consultation (where appropriate)			
Equality Impact Assessment				
Confirm that Involvement and Equalities Team have been informed			YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
EIA Carried Out			YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
If yes, please attach the accompanying EIA and appendix and briefly outline the equality and diversity implications of this policy.				
If no, you are confirming that this report has been classified as an operational report and not a new policy or change to an existing policy (guidance, practice or procedure)			Name: Kenny Dick Position: Head of Finance and Corporate Governance	
Authorised by Director	Name: G Weir		Date: 20/9/16	

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 Performance Reporting Measures 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.

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

Audit Plan Year	Report	Committee Date	Control Objective Assurance Level
2013/14	Complaints Handling	18/09/15 27/11/15 11/03/16	Consultancy Style Report
2014/15	Intelligence Strategy	12/06/15	Consultancy Style Report

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Audit Plan Year	Report	Committee Date	Control Objective Assurance Level
2014/15	Development of Regulated Care Service Methodology	12/06/15	Consultancy Style Report
2014/15	Benchmarking	12/06/15	Consultancy Style Report
2014/15	External Stakeholders	12/06/15	4 Green
2014/15	Performance Management	12/06/15	3 Green 2 Yellow
2015/16	Financial Sustainability (Phase 1)	18/09/15	Interim Report
2015/16	Communication with Stakeholders: Internal	18/09/15	3 Green 1 Yellow
2015/16	Financial Systems Health Check	27/11/15	4 Green
2015/16	Estates	27/11/15	3 Green
2015/16	Partnership Working	11/03/16	2 Green 1 Yellow
2015/16	Inspection and Planning	11/03/16	4 Green
2015/16	Legal Support and Advice	11/03/16	3 Green 1 Yellow
2015/16	HR Recruitment Arrangements	11/03/16	3 Green 1 Yellow
2015/16	Financial Sustainability (Phase 2)	11/03/16	4 Green

All internal audits planned for 2015/16 had reports submitted to the Audit Committee during the year. The 2013/14 internal audit on Complaints Handling received significant interest from the Committee over an extended time period. This was concluded during 2015/16 with the Audit Committee receiving assurance that the implementation of the Complaints Improvement Plan would be monitored by the Complaints Committee.

3.2 Consideration of the Care Inspectorate's 2014/15 Annual Report and Accounts

The Committee held a meeting on 28 August 2015 dedicated to a detailed review of the draft Annual Report and Accounts. At the meeting of 18 September 2015, the Committee considered the draft Annual Report and Accounts for 2014/15 and the associated report from Audit Scotland and recommended that the Board approve the 2014/15 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 2015/16 and monitored progress against this plan throughout the year.

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The Strategic Internal Audit Plan 2016 to 2019 was considered at the Audit Committee meeting of 11 March 2016. This strategic plan included the internal audit programme for 2016/17. The review of annual and strategic audit plans 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 along with 2016/17 individual audit assignment plans are to be approved early in 2016/17.

The Committee agreed Audit Scotland's External Audit Plan for 2015/16.

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 summarising progress and this is then validated by the recommendation follow up report supplied by the internal auditors on an annual basis. The internal auditors follow up review concluded that of the 23 actions due to be implemented by 31 March 2016, 10 (43%) were fully implemented and 13 (57%) were partially completed. All high risks have been implemented.

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 11 March 2016.

Annual Review of Risk and Risk Management

The Committee arranged a strategic risk review session open to all Board members on 26 June 2015. The output from this session contributed to a draft revised strategic risk register which the Committee considered at its meeting of 18 September 2015. The revised Strategic Risk Register and the associated detailed risk schedules were agreed by the Committee at its meeting of 27 November 2015. Identified strategic risks are used to inform the Strategic and Annual Internal Audit Plans. Work is ongoing on the 2016/17 risk process.

Performance Framework

The Committee were kept informed of progress on the development of a revised performance reporting framework.

Corporate Governance Review Group

The Committee received a note of the first meeting of the member / officer Corporate Governance Review Group and an associated action plan to consider. This group will meet at least annually.

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Appointment of Internal Auditors

The Committee agreed to conduct a joint procurement exercise with the Scottish Social Services Council (SSSC) for the provision of internal audit services. The Committee agreed the key procurement documentation and the evaluation criteria. Committee members were represented on the evaluation panels along with SSSC members and officers. The Audit Committee agreed to appoint Scott-Moncrieff to provide internal audit services. The appointment is to be for a three year period until 31 March 2019 with an option to extend for a further one year period.

Horizon Scanning

This is a standing item on Audit Committee agenda 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 2016/17

Risk Management

The regular review and update of the risk register is a task of significant importance. In addition, the Committee is encouraging the development and enhancement of risk management. This includes developing the use risk appetite and risk tolerance statements to better inform operational management decisions, to better incorporate the concept of risk velocity and to develop the assurance framework to better embed risk management throughout the Care Inspectorate.

Strategic Performance Management Framework

The Committee will review and oversee the development of the Strategic Performance Management Framework.

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

2016/17	
Meeting Date	Business
27 May 2016	Internal Audit: <ul style="list-style-type: none">• Recommendations Follow up Review• Internal Audit Annual Report• Strategic and Annual Internal Audit Plan• Review of Individual Internal Audit Assignment Plans 2016/17

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	<p>External Audit:</p> <ul style="list-style-type: none"> Annual Report and Accounts statutory audit progress <p>Care Inspectorate</p> <ul style="list-style-type: none"> Draft Audit Committee Report to Board 2015/16 Developing New Performance Reporting Measures Review of Strategic Risk Register (Update) Horizon Scanning
Meeting Date	Business
19 August 2016	<p>External Audit:</p> <ul style="list-style-type: none"> Annual Report and Accounts statutory audit progress <p>Care Inspectorate</p> <ul style="list-style-type: none"> Draft Audit Committee Report to Board 2015/16 Draft Annual Report and Accounts
16 Sept 2016	<p>Internal Audit:</p> <ul style="list-style-type: none"> Internal Audit Plan Progress Report Report: Procurement Report: Absence Management Private meeting with Audit Committee <p>External Audit:</p> <ul style="list-style-type: none"> Report to those charged with governance on the 2015/16 audit <p>Care Inspectorate</p> <ul style="list-style-type: none"> Draft Annual Report and Accounts 2015/16 Draft Audit Committee Report to Board 2015/16 Audit Recommendations Progress Report Horizon Scanning
18 Nov 2016	<p>Internal Audit:</p> <ul style="list-style-type: none"> Internal Audit Plan 2016-17 Progress Report Report: Best Value Report: Duty of User Focus <p>External Audit:</p> <ul style="list-style-type: none"> Progress update <p>Care Inspectorate:</p> <ul style="list-style-type: none"> Audit Recommendations Progress Report Corporate Governance Group Review Report Horizon Scanning

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Meeting Date	Business
27 Jan 2017	Committee Effectiveness
10 Feb 2017	Care Inspectorate: <ul style="list-style-type: none"> • Performance Management Framework for 2017/18
10 March 2017	Internal Audit: <ul style="list-style-type: none"> • Draft Internal Audit Plan 2017-18 & Review of Strategic Internal Audit Plan 2016-19 • Internal Audit Plan 2016-17 Progress Report • Report: Income & Receivables • Report: Treasury & Cash Management • Report: Duty of Co-operation External Audit: <ul style="list-style-type: none"> • Annual Audit Plan 2016/17 Care Inspectorate: <ul style="list-style-type: none"> • Audit Recommendations Progress Report • Annual review of the prevention of fraud and bribery policies • Update of strategic risk register • Horizon Scanning

5.0 FRAUD

5.1 The Committee received assurance at its meeting of 27 May 2016 that there had been no incidences of fraud detected during financial year 2015/16.

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 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.

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- 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 identified the following areas that would benefit from further development:

- Gaining added value from the internal auditors
- Delegating the responsibility for addressing specific risks to appropriate Committees

7.0 QUALITY OF INTERNAL AUDIT

The Committee has assessed the work of Scott-Moncrieff the appointed internal auditors for 2015/16. The Committee is of the view that the standard of internal audit work and the reports produced were satisfactory. There had been some issues about Scott-Moncrieff's administration of the internal audit programme during the first part of the year but noticeable improvement had been made in the latter part of the financial year.

The new contract for Scott-Moncrieff to continue to provide internal audit services for the period 2016-19 (with a one year optional extension) has meant a change in the internal audit team. Care Inspectorate officers have been asked to work closely with the new Audit Manager to enhance both the administration and quality of the internal audit programme.

The Chief Executive meets on a quarterly basis with the internal audit partner to discuss any issues pertaining to internal audit functions.

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 between the Audit Scotland audit team, Care Inspectorate staff and the Audit Committee.

The Board should note that Grant Thornton is to be the appointed external auditors for the next five year period.

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

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and risk framework for the year ended 31 March 2016 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.

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 true and 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 2016.

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.

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