

Audit Committee Annual Report to the Board

Report to: Board

Date: 2 October 2015

Report by: Mike Cairns, Convener of the Audit Committee

Report No: B-20-2015

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 2014/15 Annual Report and Accounts.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
4.0	Senior Management	ET		24.9.15
	Legal Services			
	Resources Directorate			
1.0 1.0 3.0	Committee Consultation (where appropriate)	Audit Committee		12/06/15 28/8/15 18/9/15
	Partnership Forum Consultation (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: 24 September 2015

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.

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

Audit Plan Year	Report	Committee Date	Control Objective Assurance Level
2013/14	Development of the Methodology for Joint Strategic Inspection of Services for Adults	18/06/14	3 Yellow 3 Green

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Audit Plan Year	Report	Committee Date	Control Objective Assurance Level
2014/15	Review of Shared Services	23/09/14	3 Yellow 2 Green
2014/15	Payroll	28/11/14	1 Yellow 5 Green
2014/15	Corporate Planning	18/03/15	1 Yellow 4 Green
2014/15	Efficiency Savings	18/03/15	4 Green
2014/15	Inspection Arrangements (consultancy style report)	18/03/15	n/a
2014/15	Business Continuity Management	18/03/15	1 Red 3 Yellow 2 Green

The Complaints Handling, Intelligence Strategy, Benchmarking, Performance Management audits planned for 2014/15 will be reported to Committee in 2015/16. The delays to submission of internal audit reports is reflected in the Committees' view of the quality of internal audit (see section 7.0).

3.2 Consideration of the Care Inspectorate's 2013/14 Annual Report and Accounts

At the meeting of 23 September 2014, the Committee considered the draft Annual Report and Accounts for 2013/14 and the associated report from Audit Scotland and recommended that the Board approve the 2013/14 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 2014/15 and monitored progress against this plan throughout the year.

An outline 2015/16 Internal Audit Plan was considered at the Audit Committee meeting of 18 March 2015. This is the final year of the Strategic Audit Plan 2013/16. 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 are to be approved early in 2015/16.

The Committee agreed Audit Scotland's External Audit Plan for 2014/15.

3.4 Implementation of Audit Recommendations

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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 basis. The internal auditors follow up review concluded that of the 18 actions due to be implemented by 31 March 2015, 18 (100%) were fully 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 18 March 2015.

Annual Review of Risk and Risk Management

The Committee reviewed the strategic risk register at its meeting of 18 June 2014. Identified strategic risks are used to inform the Strategic and Annual Internal Audit Plans.

Performance Framework

The Committee agreed the strategic performance management framework.

Code of Corporate Governance

The Committee reviewed the Code of Corporate Governance and recommended that the Board approve this new governance document.

Board Members Code Of Conduct

The Committee reviewed proposed changes to the Board Members' Code of Conduct based on the new model Code issued by the Standards Commission. Following this review the Committee made a recommendation to the Board that the revised Code should be approved.

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 2015/16

Risk Register

The regular review and update of the risk register is a task of significant importance.

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It is normal practice for all Board members to be invited to attend a risk review session. There was a delay in getting this session arranged and the strategic risk register review for 2015/16 will conclude in September 2015. The risk register review session to update the register for 2016/17 has been arranged for 19 February 2016.

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.

Appointment of Internal Auditors

The Audit Committee and its Scottish Social Service Council (SSSC) counterpart have agreed to undertake a joint procurement exercise to let a new internal audit services contract with effect from 1 April 2016. It is proposed that this is let as a three year contract with an option to extend for a further year.

Care Inspectorate and SSSC Audit Committee members will be involved in the procurement process.

4.0 PROGRAMME OF COMMITTEE MEETINGS

2015/16	
Meeting Date	Business
12 June 2015	<p>Internal Audit:</p> <ul style="list-style-type: none">• Recommendations Follow up Review• Internal Audit Annual Report• Strategic and Annual Internal Audit Plan• Report: Intelligence Strategy• Report: Development of Regulated Services Methodology• Report: Benchmarking• Report: External Stakeholder Communications• Report: Performance Management <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">• Corporate Governance Group Review Report• Draft Audit Committee Report to Board 2014/15• Horizon Scanning

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Meeting Date	Business
28 August 2015	Care Inspectorate <ul style="list-style-type: none"> • Draft Audit Committee Report to Board 2014/15 • Draft Annual Report and Accounts
18 September 2015	Internal Audit: <ul style="list-style-type: none"> • Internal Audit Plan Progress Report • Estates • Sustainability • Communication with stakeholders (internal) External Audit: <ul style="list-style-type: none"> • Report to those charged with governance on the 2014/15 audit Care Inspectorate <ul style="list-style-type: none"> • Draft Annual Report and Accounts 2014/15 • Draft Audit Committee Report to Board 2014/15 • Audit Recommendations Progress Report • Horizon Scanning
27 Nov 2015	Internal Audit: <ul style="list-style-type: none"> • Internal Audit Plan 2014-15 Progress Report • Financial Systems Health Check • Legal Support and Advice • Complaints Handling External Audit: <ul style="list-style-type: none"> • Progress update Care Inspectorate: <ul style="list-style-type: none"> • Audit Recommendations Progress Report • Horizon Scanning
29 Jan 2016	Committee Effectiveness
19 February 2016	Care Inspectorate: <ul style="list-style-type: none"> • Performance Management Framework for 2015/16
11 March 2016	Internal Audit: <ul style="list-style-type: none"> • Draft Internal Audit Plan 2016-17 • Internal Audit Plan 2014-15 Progress Report • Communications with Stakeholders (internal) • Partnership Working • Inspection Planning and Delivery • Sustainability (Phase 2) External Audit: <ul style="list-style-type: none"> • Annual Audit Plan 2015/16

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Meeting Date	Business
11 March 2016	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 12 June 2015 that there had been no incidences of fraud detected during financial year 2014/15.

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.
- 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 not identified any specific areas that require to be developed.

7.0 QUALITY OF INTERNAL AUDIT

The Committee has assessed the work of Scott-Moncrieff the appointed internal auditors for 2014/15. 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 year that resulted in delays in the audit fieldwork and the subsequent reporting schedule.

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Revised protocols have been developed and these will continue to be monitored closely with a view to improving the delivery of the audit programme.

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.

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 2015 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 2015.

12.0 RESOURCE IMPLICATIONS

There are no resource implications to consider.

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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.