



Audit Committee Annual Report to the Board

Report to: Board
Date: 18 December 2012
Report by: Mike Cairns, Convener of the Audit Committee
Report No: B-14-2012
Agenda Item: 14

PURPOSE OF REPORT

This report represents a summary of the work of the Audit Committee and gives the Committee's opinion on the assurance that this work provides.

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.

Version Control and Consultation Recording Form

Version	Consultation	Manager	Brief Description of Changes	Date
1.0	Senior Management	ET		30/05/12
	Legal Services			
	Resources Directorate			
2.0	Committee Consultation (where appropriate)	Audit Committee		19/06/12 & 03/10/12
	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: Finance & Procurement Manager

Authorised by Director

Name: G Weir

Date: 7 December 2012

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.

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.

The Audit Committee is also responsible for providing advice to the Board on the development of 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 categorising assurance levels where each control objective is assessed and categorised 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:

Version: 5.0	Status: <i>Final</i>	Date: 17/12/2012
--------------	----------------------	------------------

Audit Plan Year	Report	Committee Date	Assurance
2011/12	Financial Systems Health Check	29/11/11	1 Yellow 3 Green
2011/12	Payroll	29/11/11	2 Yellow 5 Green
2011/12	Efficiency Savings	29/11/11	4 Yellow
2011/12	Complaints Handling	20/03/12	4 Yellow 2 Green
2011/12	Information Governance	20/03/12	5 Yellow 2 Green
2011/12	Risk Analysis and Intelligence	20/03/12	3 Red 1 Yellow
2011/12	Review of Governance on ICT Investment Decision	20/03/12	1 Yellow 3 Green
2011/12	Audit Visit Memo - Governance	20/03/12	n/a

3.2 Consideration of the Care Commission's 2010/11 Annual Report and Accounts

The Scottish Government agreed it was appropriate for the Care Inspectorate Audit Committee, as the Care Commission's successor organisation, to consider the Care Commission's draft Annual Report and Accounts for 2010/11 and the associated report from Audit Scotland.

The Committee reviewed the Statement on Internal Control which was included within the Annual Report and Accounts.

3.3 Review of Audit Plans

The Committee reviewed and approved the Internal Audit Plan for 2011/12 and monitored progress against this plan throughout the year.

The audit plan for 2012/13 has been reviewed and agreed.

The Committee agreed Audit Scotland's External Audit Plan for 2011/12.

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 eleven actions due to be implemented by 31 March 2012, four (36%) were fully implemented, six (55%) were partially implemented and one (9%) recommendation had been superseded. A further twenty six recommendations were not due to be completed by 31 March 2012.

Version: 5.0	Status: <i>Final</i>	Date: 17/12/2012
--------------	----------------------	------------------

Three partially complete and one outstanding recommendation have been brought forward from the Care Commission and are still considered relevant.

3.5 Other Work

Terms of Reference

The Terms of Reference of the Audit Committee were reviewed and agreed by the Audit Committee on 31 May 2011.

Review of Risk and Risk Management

The Committee participated in a risk review session in July 2011 and agreed a strategic risk register based on this work on 27 September 2011. The risk register was used to inform the 2012/13 internal audit plan.

Key Performance Indicators (KPIs)

The Committee agreed a process for considering and agreeing KPIs for the Care Inspectorate. The KPIs were agreed on 27 September 2011.

Appointment of Internal Auditors

The current Internal Audit contract was due for renewal on 31 March 2012. It was agreed to extend the contract to March 2013 with a view to appointing internal auditors from a Scottish Government led collaborative contract once it is in place.

Horizon Scanning – Scotland’s Public Finances

The Committee considered the Auditor General’s report on Scotland’s Public Finances.

3.6 Priorities for 2012/13

Risk Register

The regular review and update of the risk register is a task of significant importance. The Audit Committee will review the risk register during 2012/13.

Key Performance Indicators (KPIs)

The Committee will review and oversee the development of KPIs.

Appointment of Internal Auditors

The Internal Audit Services contract position will require to be reviewed.

Version: 5.0	Status: <i>Final</i>	Date: 17/12/2012
--------------	----------------------	------------------

Terms of Reference

The Committee's terms of reference will be reviewed.

Organisational Structure Review

The Committee will consider the implications for governance, risk management and internal control arising from the organisational structure review proposals.

Board Members Development Session on Audit

All Board members are to be invited to a development session on the role of internal audit.

4.0 FRAUD

4.1 The Committee received assurance at its meeting of 19 June 2012 that there had been no incidences of fraud detected during financial year 2011/12.

5.0 AUDIT COMMITTEE EFFECTIVENESS

5.1 The Committee has reviewed the way in which it operates and has made the assessment, using national guidance that the Committee operates effectively.

5.2 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.

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

- The Audit Committee intends to further develop the methodology for assessing its effectiveness. This includes using the Audit Committee Self Assessment Checklist, benchmarking and the seeking of external and internal auditor's opinions.
- There is one outstanding recommendation and nine partially completed audit recommendations. The Committee expect recommendations to be fully implemented within the agreed implementation date. Given there are already thirty six audit recommendations to be implemented in 2012/13, the Committee will take a very keen interest in ensuring recommendations are implemented within deadlines.

Version: 5.0	Status: <i>Final</i>	Date: 17/12/2012
--------------	----------------------	------------------

6.0 QUALITY OF INTERNAL AUDIT

The Committee has assessed the work of Scott-Moncrieff the appointed internal auditors for 2011/12. The Committee is of the view that the standard of internal audit work and the reports produced were excellent. Scott-Moncrieff's communication with Care Inspectorate staff and the administration of the internal audit programme was also of a high standard.

7.0 QUALITY OF EXTERNAL AUDIT

The Care Inspectorate's external auditors, Audit Scotland, are appointed by the Auditor General for Scotland. A new external audit team have been appointed for the five year period 2011/12 to 2015/16.

External audit provide an audit plan, attend Audit Committee meetings and provide an informative report on their work. Although it is early in the appointment term of this audit team, indications are that a smooth transition from the previous audit team has been affected and the new team are working well with Care Inspectorate staff and the Audit Committee.

8.0 ANNUAL GOVERNANCE STATEMENT

The Committee have 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 2012 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 advised the Board and Accountable Officer at the Special Board meeting of 25 October 2012 that in the Committee's opinion it was appropriate for the Accountable Officer to sign the Statement.

9.0 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.

10.0 ANNUAL REPORT AND ACCOUNTS

The Committee recommended that the Board approved the Annual Report and Accounts for the year ended 31 March 2012 at the Special Board Meeting of 25 October 2012.

Version: 5.0	Status: <i>Final</i>	Date: 17/12/2012
--------------	----------------------	------------------

11.0 RESOURCE IMPLICATIONS

There are no resource implications to consider.

12.0 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 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.