

DUMFRIES and GALLOWAY NHS BOARD

AUDIT and RISK COMMITTEE

19th March 2018



Internal Audit Plan 2018/19

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Date: 6th March 2018

RECOMMENDATION

The Audit and Risk Committee is asked to:

- Agree the Internal Audit Strategy meets the requirements of PSIAS (**Appendix 1**)
- Approve the revised Internal Audit Charter (**Appendix 2**)
- Note the Risk and Audit Universe (**Appendix 3**)
- Approve the proposed Internal Audit Plan for 2018/19 (**Appendix 4**)

CONTEXT

Strategy/Policy:

This report details the overall strategy for the provision of Internal Audit within NHS Dumfries and Galloway.

Organisational Context/Why is this paper important/Key messages:

The attached papers contain the proposed Internal Audit Plan for 2018/19. The plan is based on a current assessment of risks and exposures that may affect the Board, with an aim to provide assurance on the adequacy and effectiveness of the internal control, governance and risk management processes within the Board.

GLOSSARY OF TERMS

CMIIA	–	Chartered Members of the Institute of Internal Auditors
CPD	–	Continuing Professional Development
IIA	–	Institute of Internal Auditors
IPPF	–	International Professional Practices Framework
PSIAS	–	Public Sector Internal Audit Standards

MONITORING FORM

Policy / Strategy Implications	<p>This paper, once approved, will inform the work undertaken by Internal Audit during 2018/19.</p> <p>Performance against the Plan will continue to be reported back to Audit and Risk Committee.</p> <p>Audit assurances gained will be used to inform the Annual Statement of Assurance prepared by the Chief Internal Auditor which in turn is used to inform and comment on the adequacy of the annual Governance Statement.</p>
Staffing Implications	Within current staffing compliment.
Financial Implications	Within overall budget for Internal Audit function.
Consultation / Consideration	Chief Executive, Executive Directors, Chair of Audit and Risk Committee
Risk Assessment	Annual Audit Plan is risk assessed in addition to consideration of the Boards own Risk Management processes.
Sustainability	The risks associated with sustainability are considered within the Audit Planning processes
Compliance with Corporate Objectives	All Corporate Objectives are considered in the audit planning processes
Single Outcome Agreement (SOA)	Best Value and Sustainability
Best Value	<p>All Best Value themes are considered through the annual audit plan, however this paper gives specific consideration to:</p> <ul style="list-style-type: none"> • Vision and Leadership, • Governance and Accountability, • Performance Management, and • Sustainability.
<p>Impact Assessment</p> <p>Although not required the contents of the Equality and Diversity Impact Assessment have been considered as part of the planning process</p>	

Introduction

1. This report and attachments present the Chief Internal Auditor's overall strategy for the provision of Internal Audit within NHS Dumfries and Galloway and the proposed Audit Plan for 2018/19.

Audit approach

2. Internal Audit work will be provided in accordance with the Internal Audit Plan and Audit Charter. Preparation of the plan and its subsequent approval by Audit and Risk Committee is in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Scottish Government Audit Committee Handbook. As set out in PSIAS, the focus of the internal audit strategy and plan should be built around a risk-based approach which underpins and enhances its value.
3. The Audit Plan should provide sufficient coverage to achieve the objectives of Internal Audit, which are to provide an independent opinion on the effectiveness of risk management, internal control and governance processes within the Board and therefore the content of the audit plan must give an adequate level of coverage to be able to provide sufficient assurance across all areas of governance.
4. In terms of the perception of overall assurance, this is an area for judgement, primarily of the Audit and Risk Committee and of the Accountable Officer who will use this as information that informs the Governance Statement.
5. The format of the audit plan that is proposed is intended to allow adequate information on assurances across wide areas of the Board that will enable this perception of assurance to be formed.

Summary

6. The overall audit strategy and the audit planning approach have been discussed with the Chair of the Audit and Risk Committee, Chief Executive and Executive Directors.
7. The Audit and Risk Committee is therefore asked to:
 - Agree the Internal Audit Strategy meets the requirements of PSIAS (Appendix 1),
 - Approve the revised Internal Audit Charter (Appendix 2)
 - Note the Risk and Audit Universe (Appendix 3)
 - Approve the proposed Internal Audit Plan for 2018/19 (Appendix 4).

Internal Audit	
Audit Strategy	

**1. Introduction**

- 1.1 This document presents the Chief Internal Auditor's overall strategy for the provision of Internal Audit within NHS Dumfries and Galloway.

2. Audit Strategy

- 2.1 The audit strategy is linked to the higher-level corporate aims and objectives of the Board. This will ensure that the overall audit strategy will facilitate:

- The improvement of risk management, control and governance within the Board by providing management with recommendations arising from audit work undertaken, and
- The provision of an overall opinion each year on risk management, control and governance processes, to support the preparation of the Governance Statement.

- 2.2 In developing a high level approach to the coverage of the work that is undertaken by Internal Audit, a number of documents and pieces of guidance have been considered by the Chief Internal Auditor to identify implications on the breadth of auditable areas within the Board, such as:

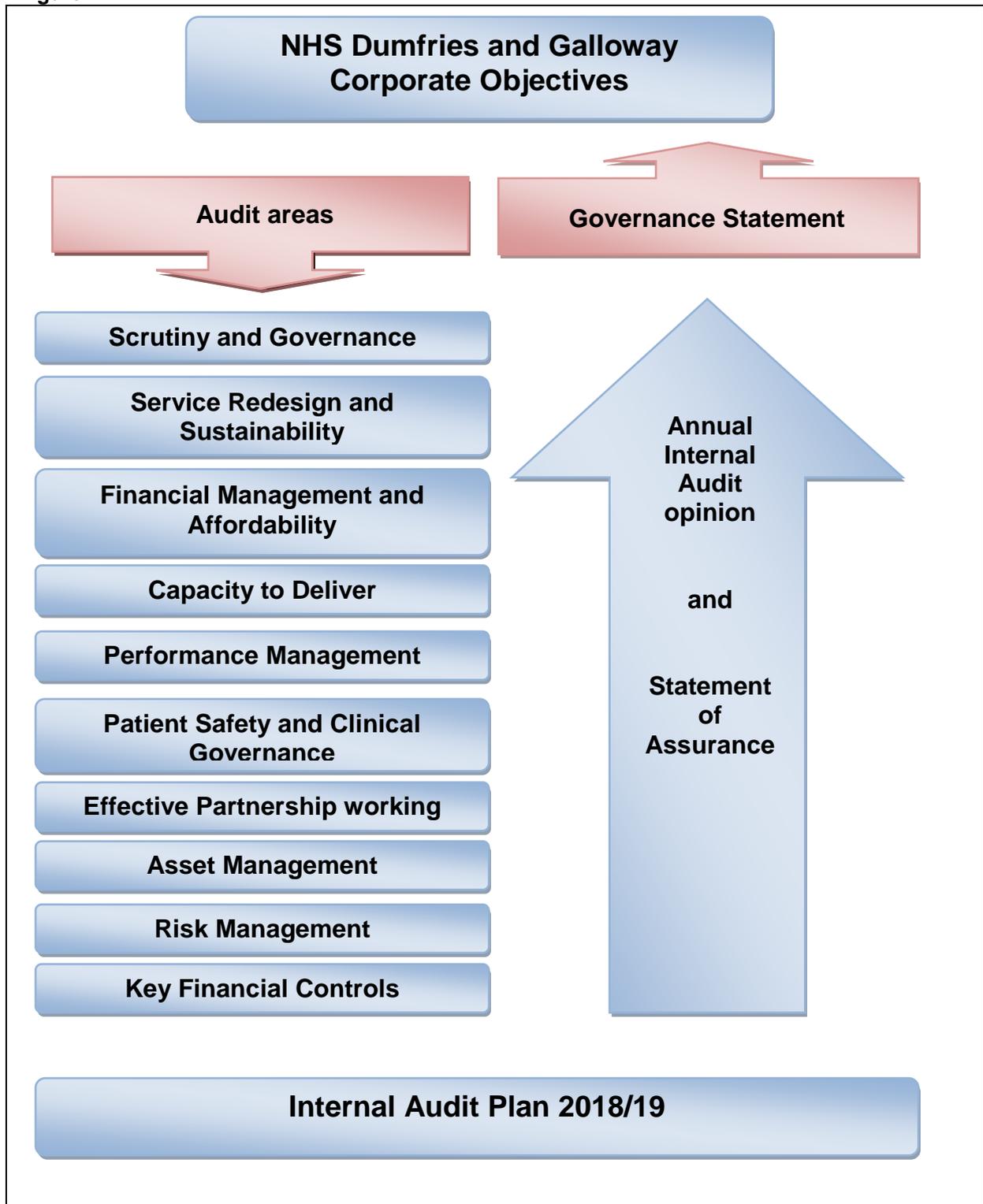
- Dumfries and Galloway Health and Social Care Partnership Strategic Plan 2016-2019 and associated documents,
- Integration Scheme between NHS Dumfries and Galloway and Dumfries and Galloway Council,
- Single Outcome Agreement for Dumfries and Galloway (2013-16),
- The Healthcare Quality Strategy for NHSScotland – May 2010,
- Audit Scotland Priorities and Risks Framework - A national planning tool for 2011/12 NHSScotland audits (Audit Scotland, November 2011).

- 2.3 These documents have provided information on the key areas of risk not only within NHS Dumfries and Galloway, but across the NHS and public sector in Scotland as a whole.

- 2.4 Further scrutiny is undertaken of Board communications and areas covered within Board and Committee agendas and minutes to ensure that, where possible, emerging issues are identified and that as much as possible the audit strategy and final plan consider the Board's Corporate aims and objectives and the risk of not achieving these.

2.5 The Chief Internal Auditor also held discussions with Executive Directors to identify further areas that may require independent assurances that have not already been identified. These meetings are also used to confirm whether the areas that are coming out as a high priority in the risk assessment are the areas that would be expected.

Figure 1



- 2.6 The Chief Internal Auditor maintains a “Risk and Audit Universe” which is used to inform the audit planning process. This a database based on all the areas, categorised under the headings in the diagram above, that can potentially be audited, in order to provide assurance to Audit and Risk Committee. This has been reviewed and current issues and risks have been identified and included for assessment. This review process is detailed below.

Stage 1 – Review of Governance Statement requirements

As with previous plans a key area of focus of the planning process for 2018/19 was to identify the audit themes that are required to provide independent assurance as part of the Governance Statement.

As Accountable Officer, the Chief Executive is responsible for reviewing the adequacy and effectiveness of the system of internal control. At a minimum this review should include an assessment of the effectiveness of governance, risk management and internal control arrangements for the four main strands of governance:

- Clinical Governance,
- Staff Governance,
- Financial Governance, and
- Information Governance.

Whilst focussed on specific elements, these strands of governance are not mutually exclusive and should, ideally, be linked through an integrated risk management and internal control framework. The guidance required to assist NHS Boards in implementing such an integrated framework is continually evolving and being developed through guidance such as the:

- Memorandum to Accountable Officers from the Permanent Secretary to the Scottish Government,
- Good Governance Standard for Public Services,
- Staff Governance Standard and Self-Assessment Audit Tool,
- Standards for Clinical Governance and Risk Management,
- Scottish Government Audit Committee Handbook, and
- Internal Framework: Good Governance in the Public Sector

A further mapping exercise was carried out to ensure that the key financial areas and controls within the Board are considered and appropriate assurance provided. This involved review of the following areas:

- Original guidance on the Statement on Internal Control - CEL (2008)44 and supplementary annual guidance on the Governance Statement within the SPFM,
- Standing Financial Instructions,
- Scheme of Delegation,
- Corporate Risk Register,
- Departmental Risk Registers (where available), and

- Key areas of materiality within the Annual Report and Accounts

This exercise was used to identify potential systems or processes, financial and non-financial, that require inclusion in the scope of coverage of Internal Audit.

A new area that has been developed during the course of this year is the Board Assurance Map which has been taken in draft form to Audit and Risk Committee and Management Team. This has been created giving consideration to the areas where assurances are required and what these assurances are expected to be so that gaps can be identified and duplication minimised.

It is important to note that the Internal Audit opinion does not supersede the Accountable Officer's personal responsibility for risk, control and governance as detailed in the guidance referred to above.

Stage 2 - Corporate and Departmental Risks

As detailed above, full consideration has been given to the Corporate Risk register which has been mapped against previous audits undertaken and the assurances that these have provided. Whilst the recent revision to the corporate register has not led to changes within the auditable areas, the approach to the consolidation of the risks has been considered along with the process for considering closed risks on the register. Two new risks have been added into the Corporate register during 2017/18 bringing the number up to 16 risks.

This has been used to inform the Risk and Audit universe and to identify where the highest risk areas lie and where the Board, through the Audit and Risk Committee, would seek to gain an independent opinion on the management of these key risk areas.

Stage 3 - Further risk identification

The audit universe has been discussed with Executives and senior management within the Board to identify if there are any other issues that were felt to be worthy of review that may not already have been identified through the process above or included in current risk registers. This process was also used to provide an overview of management priorities. This engagement with management should also help with future reporting and acceptance of recommendations as the audits will in a number of instances relate specifically to issues that have been highlighted by them.

Stage 4 - Risk Assessment

From the scale of the audit universe it is apparent that available audit resources are not sufficient to cover all auditable areas and therefore the audit universe has been risk assessed based on a number of factors to give a prioritisation dependant on independent assurance required. Risks that

present themselves to the Board will change and therefore the risk universe requires continual assessment and updating.

The possible audits have been risk-rated against seven risk categories:

- Materiality / Financial Impact
- System Stability / Level of change
- Degree of Devolved Control
- Patient Impact
- Staff Impact
- Legislative or Regulatory considerations
- Sensitivity / Reputational Risk

These risk-ratings are then adjusted to consider the date of the last audit and the level of assurance gained from the most recent audit. The scores from the risk rating exercise have helped to prioritise audits as Very High, High, Medium and Low, in terms of audit priority. In drafting the plan, priority has been given to the higher priority audits whilst recognising that some audits such as Property Transactions are mandatory and are therefore required to be undertaken each year.

The Risk and Audit Universe which has been discussed at Management Team is attached in Appendix 3. The final audit plan will mostly comprise of audits that are currently classed as Very High or High. Some of the more transactional audits are required to be undertaken on a more regular basis due to the impact of the system or process on year-end information.

3. Summary

- 3.1 In approving this Audit Strategy, Audit and Risk Committee members are asked to consider the breadth of assurances that they require from Internal Audit prior to approval of the Internal Audit Plan for 2018/19, to ensure that they are comfortable with the coverage of the proposed plan and are aware of where assurances will come from should audit not provide coverage within that area in the financial year.
- 3.2 The overall audit strategy has been discussed with the Chair of the Audit and Risk Committee, Chief Executive, Executive Directors and was also subject to review as part of the annual review of processes undertaken within the function.

Internal Audit

AUDIT CHARTER



Background and Requirements

The expectations placed upon Internal Audit are detailed within relevant audit standards. Within NHSScotland the Public Sector Internal Audit Standards (PSIAS) are followed.

Attribute Standard 1000 - Purpose, Authority and Responsibility

“The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.”

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity’s purpose, authority and responsibility. The internal audit charter establishes the internal audit activity’s position within the organisation, including the nature of the chief audit executive’s functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Public sector requirement - The internal audit charter must also:

- *define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;*
- *cover the arrangements for appropriate resourcing;*
- *define the role of internal audit in any fraud-related work; and*
- *include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.*

1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

1010 Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter

The mandatory nature of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter. The chief audit executive should discuss the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* with senior management and the board.

1. Introduction

This Audit Charter sets out the purpose of the Internal Audit function within NHS Dumfries & Galloway and details the authority and responsibilities conferred by the Board on the Chief Internal Auditor.

Definition of Internal Auditing

“Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

CIIA 2009

2. Scope

Internal Audit provides its assurances to the whole of NHS Dumfries and Galloway, however it is not a substitute for, nor an extension of, good management. It remains the duty of management, not the Chief Internal Auditor, to operate an adequate system of internal control.

Internal Audit’s remit covers the whole range of Board systems and internal controls established to:

- Achieve the Board’s objectives,
- Ensure the economical and efficient use of resources,
- Ensure compliance with established policies, procedures, laws and regulations,
- Safeguard the Board’s assets and interests from losses of all kinds including those arising from fraud, irregularity and corruption, and
- Ensure the integrity and reliability of information and data

Internal Audit will examine the arrangements by which decisions are made, monitored and reviewed and the application and understanding of policies within the organisation. It is not within the remit of Internal Audit to question the appropriateness of policy decisions other than to review how local policies and guidance sit within the context of national policy and legislation.

3. Authority

The Chief Internal Auditor shall be entitled, without necessarily giving prior notice, to request and receive:

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature with the ability to take possession of documents should that action be required;

- access at all reasonable times to any land, premises or employee of the Board;
- the production or identification of any Board cash, stores or other property under the employee's control or within their area of responsibility;
- explanations concerning any matter under investigation or review.

Requests for information should be dealt with as a matter of priority especially where this is part of an investigation.

These powers and right of access are also delegated to individual auditors during the course of normal audit work or during specific investigations carried out under the instruction of the Chief Internal Auditor.

4. Independence

The Chief Internal Auditor reports managerially to the Chief Executive, although there is a direct reporting line from the Chief Internal Auditor to the Audit and Risk Committee, which is independent of the Chief Executive and other Executive Directors. This allows a degree of independence in terms of personal objectivity to enable the Internal Audit role and duties to be performed in a manner which will allow professional judgements and recommendations to be effective and impartial.

5. Responsibilities

The Chief Internal Auditor is required to give an annual opinion to the Accountable Officer and the Board, through Audit and Risk Committee, on the adequacy and effectiveness of the internal control system within the Board and the extent to which it can be relied on.

For the purposes of this Charter and internal audit activity, the interpretation of Board/board within PSIAS relates to Audit and Risk Committee. This interpretation has been adopted by other NHS Boards.

The Chief Internal Auditor will:

- Create an audit strategy which details the high level approach for delivery of Internal Audit and creation of the audit plan,
- Undertake an assessment of risks to systems of internal control,
- Formulate and gain acceptance of a risk based audit plan to provide assurance to Audit and Risk Committee and the Board that systems of internal controls are operating satisfactorily,
- Obtain sufficient, relevant and reliable evidence on which to examine and evaluate systems of internal control and on which to base conclusions and recommendations,
- Communicate findings, conclusions and recommendations arising from individual audit assignments and overall programmes, and
- Ensure that arrangements are made to facilitate the follow up of audit recommendations and monitor the effectiveness of any actions taken.

This will be enabled by:

- Providing leadership of the audit team,
- Managing available resources, financial and otherwise, to achieve audit objectives,
- Continually monitoring and reviewing the implementation of organisational, procedural and technical change to optimise working practices and staff development, and
- Identifying potential areas for quality improvement and ensure proposals are communicated to appropriate people.

6. Audit Resourcing

All internal audit work will be undertaken with due professional care and in accordance with the Public Sector Internal Audit Standards.

The Chief Internal Auditor shall ensure:

- Individual and collective skills, competence, experience and qualifications are appropriate for the audits being performed,
- All internal audit work undertaken is properly supervised,
- Compliance with all relevant standards and codes of ethics as laid down by the Chartered Institute of Internal Auditors and NHSScotland, and
- All audit staff undertake training and development activities to enable them to progress their Personal Development Plans, and demonstrate a commitment to personal and professional development and meet relevant CPD requirements and personal and departmental objectives.

7. Audit Plan – Scope and Coverage

To enable achievement of Internal Audit objectives, the Chief Internal Auditor will develop and implement an Annual Audit Plan that assesses the Board's arrangements for Risk Management, Control and Governance and for achieving Best Value. Internal Audit will consider the adequacy of controls necessary within a sound governance framework. It will seek to confirm that management have taken the necessary steps within this framework to achieve the Board's objectives and manage the associated risks.

The Chief Internal Auditor will:

- Prepare and undertake a risk assessed audit programme based on both audit and management's perception of key risks which may impact on the achievement of Board objectives;
- Identify all control systems on which it is proposed to provide assurance;
- Determine that those systems of control operate to promote the most economic, efficient and effective use of resources;
- Evaluate those systems, identify inappropriate or inadequate controls, and recommend improvements in procedures or practices; and
- Report on results to management and Audit and Risk Committee;

The Chief Internal Auditor will liaise with the Board's External Auditors to minimise any duplication of audit effort and ensure that, although they are no longer required to place reliance on Internal Audit work, they are aware of the outputs from our work and assurances provided.

8. Reporting

The Chief Internal Auditor will present an Annual Report to the Audit and Risk Committee, on the adequacy and effectiveness of the whole internal control system within the Board, and the extent on which it can be relied upon.

The Chief Internal Auditor will provide an opinion on the integrity and reliability of financial and other information provided to management and stakeholders, including information involved in decision-making. Internal Audit will undertake to produce a Preliminary Report within two weeks of completion of each audit, detailing audit findings and observations and making recommendations to minimise identified risks and address control weaknesses.

Managers are required to respond to the audit report within one month of issue stating their proposed action, with an identified responsible officer and timescale, for implementing agreed recommendations.

Once this response is received, a Final Report will be issued to management incorporating the agreed actions and timescales. The Final Report will also be issued to the Chief Executive and External Auditors, for information.

It is for management to determine whether or not to accept and implement audit recommendations, with an explanation of reasons for non-implementation being provided to Internal Audit where this will be shared with Audit and Risk Committee. This decision should be based on a full understanding of the risks identified in the audit process that may remain unmitigated if no action is taken.

All audit recommendations will be subject to formal follow up processes. The implementation of these recommendations will be monitored and reported to Audit and Risk Committee.

Attention will be drawn to any major audit findings where action has been identified but has not been taken.

9. Consultancy Work and Unplanned Assignments

Consultancy or other unscheduled internal audit work may be undertaken on the request of the Chief Executive or senior management.

Consultancy work is defined as work which is intended to add value and improve governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include advice, facilitation and training.

An allowance is made for consultancy in the Audit Plan under the heading Corporate Support, and it is intended by adopting a risk based audit approach that audit and consultancy work should be undertaken on a planned, as opposed to reactionary, basis.

It will be ensured that whenever support of this type is provided that conflicts of interest are avoided and that Internal Audit maintain an independent and unbiased opinion and do not impact future assurances that may be provided.

10. Performance Management

The Chief Internal Auditor is responsible for implementing internal performance measures to monitor the effectiveness of the service and compliance with standards. A set of measures has been prepared and approved through Audit and Risk Committee to provide a framework around which the performance of Internal Audit can be measured.

All Internal Audit work carried out will be in accordance with locally documented Internal Audit working practices and protocols. These set out the steps which Internal Audit agree to take to ensure that the audit process is mutually beneficial to Internal Audit, management, Audit and Risk Committee and the Board. These Audit protocols, which will be held within the Audit Manual, may be amended as required in line with internal auditing best practice, changes to internal auditing standards and management and Audit and Risk Committee requirements.

The Audit and Risk Committee will review, comment on and if considered satisfactory, approve Internal Audit performance measures as required. In accordance with the Public Sector Internal Audit Standards, Internal Audit performance must be measured and monitored through Audit and Risk Committee.

The Chief Internal Auditor shall report managerially to the Chief Executive who will undertake the Chief Internal Auditor's annual eKSF review.

The role of Internal Audit will be clearly communicated to managers to ensure that there is an understanding of the role of Internal Audit. Continual feedback from managers on audits undertaken will be monitored to identify opportunities for improvement in audit processes.

The Chief Internal Auditor will continually review the required skills and knowledge within the audit team to ensure that the team members demonstrate or are working towards the attainment of pre-agreed skills and competencies.

Continuous improvement will be embedded in everything that we do.

11. External Audit

Where appropriate, and within the context of established plans, internal audit work will be planned and undertaken with the view of maximising the

efficiencies of the Internal and External Audit processes and minimising audit duplication.

12. Fraud

Notwithstanding the Chief Internal Auditor's responsibilities for fraud as Fraud Liaison Officer for the Board, Internal Audit has various roles and responsibilities as detailed in the Board Fraud Policy and Action Plan.

Internal Audit Risk and Audit Universe 2018/19	
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Internal Audit Plan 2018/19

The following table indicates the areas risk assessed as being Very High or High priority with an indication of where audit provision is made in this year's Internal Audit plan (audits highlighted in blue).

Audit and Risk Committee should consider what Management or external assurances may require to be sought to give a full view of the Board's overall assurance framework. This is currently being linked back into ongoing work in relation to the Board Assurance map which is in draft form.

Audit area	Risk assessed priority	Year of last audit
Scrutiny and Governance		
CEL's and Scottish Government guidance	Very High	2015
Best Value	Very High	Older
Strategic and Operational Planning	Very High	None
Competitive Tenders and Quotations	High	Older
Board Governance and Decision Making - Policy framework	High	2015
Whistleblowing arrangements	High	2016
Environmental Policies and Procedures	High	None
Service Redesign and Sustainability		
Service Redesign and Sustainability	Very High	None
Research and Development Governance - application of policies	High	None
Project and Change Management	High	Older
Financial Management and Affordability		
Financial Performance Management	Very High	None
Delegated Authorities	Very High	None
Capital Planning	High	Older
Contract Management	High	None
Post Implementation Review processes	High	Older
Authorised Signatories	High	Older
Capacity to Deliver		
Civil Contingencies Act and Emergency Planning	Very High	None
Capacity to Deliver - Staff		
Staff Performance Management	Very High	None
Locum Doctors - Use and Payment	Very High	Older
Recruitment and Retention - Staff Turnover	Very High	None
Staff Governance - Mental Health	High	Older

Audit area	Risk assessed priority	Year of last audit
Working Time Compliance	High	Older
Recruitment processes	High	Older
Nurse Training	High	None
Pre-employment checking	High	Older
Use of Learning Funds	High	Older
Capacity to Deliver – Property and Assets		
Transport	Very High	Older
Mobile Devices	Very High	2016
Stores and Stock Control - Theatre	Very High	2016
Stock Management	Very High	Older
Waste Management	Very High	2015
Estate Management	High	None
Stores and Stock Control - Pharmacy	High	Older
Stores and Stock Control - Catering	High	None
Property Maintenance / Maintenance prioritisation	High	Older
Capacity to Deliver – Information Governance		
eHealth Strategy	Very High	None
Information Integrity - (to support reporting, monitoring etc)	Very High	None
Information Governance	Very High	Older
Information Security	High	Older
Email and Internet use	High	None
Records Management - Staff/Patients/Other	High	2014
Information Governance and Security Improvement Measures - DL 17 (2015)	High	2018
Capacity to Deliver – Information Technology		
Telehealthcare	Very High	None
Contingency Planning for Systems	Very High	None
Internet and Intranet sites	Very High	None
IT Security	Very High	None
IT Training	High	None
Asset register System	High	None
IT Asset Management - Procurement/Inventory/Disposal	High	Older
Network & Communications	High	None
Telephone Networks	High	None
IT Project Management	High	None
Patient Safety and Clinical Governance		
Quality Outcome Indicator monitoring and reporting	Very High	None
Medical Care and Decision Making	Very High	None
Accident and Emergency Departments	Very High	None
Community Nursing	Very High	None
Hospital Admissions	Very High	None
Theatre Management	Very High	None
Clinical Governance Programme	Very High	None

Audit area	Risk assessed priority	Year of last audit
Adverse Incident Reporting	Very High	Older
Services for Older People	Very High	Older
Gaining and Recording of Informed Consent	High	Older
Patients Discharged with Appropriate Medication	High	Older
Safety Action and Hazard Warning Notice Implementation	High	Older
Outpatient Departments	High	None
Hospital Cleaning	High	None
Patient Access and Waiting Times	High	Older
Improvement Programmes - Patient Safety	High	2014
Dementia Standards	High	2014
Long Term Care Arrangements	High	2014
Francis Enquiry response	High	2015
Community Engagement	High	Older
Effective Partnership Working		
External Contractors and Consultants	Very High	None
Primary Care - Dental	Very High	Older
Joint Management arrangements - Community Care	High	None
Primary Care - GMS (Target Payments/Cost of Rents etc.)	High	Older
Joint Funding and Resource Transfer	High	Older
Control Environment		
Control Environment and Control Structures	High	Older
Key Financial Control Systems		
Payroll	High	2015

The following table indicates the areas risk assessed as a Medium or Low priority.

Audit area	Risk assessed priority	Year of last audit
Scrutiny and Governance		
Audit Scotland report actioning	Medium	2014
Complaints Management process (prev incl Litigation)	Medium	2016
Register of Interests & Gifts and Hospitality	Medium	2017
Board Governance and Decision Making - Structures	Low	2018
Governance and Control Framework	Low	2017
Review of Tendering Administration Processes	Low	Older
Financial Management and Affordability		
Procurement	Medium	2017
CRES schemes	Medium	2014
Financial Governance - Cost of new drugs	Medium	Older
Construction Industry Tax	Medium	Older
Project Appraisal	Medium	Older

Audit area	Risk assessed priority	Year of last audit
Overseas Visitors - CEL 9(2008)	Medium	Older
National Procurement: End-to-End Review of Logistics	Low	Older
Changes to Board bank accounts	Low	Older
Capacity to Deliver		
Business Continuity	Low	2016
Capacity to Deliver – Staff		
Staff Development - Recording of Training	Medium	Older
Linking PDP's to Service Needs	Medium	Older
Medical Staff Management	Medium	Older
Nurse and Midwife Rostering and Work Patterns	Medium	2014
Leadership and Management Capacity	Medium	2015
Workforce Planning	Medium	Older
Nurse Revalidation (incl midwifery and AHP's)	Medium	2018
Nurse Bank	Low	2017
Agency Staff	Low	2017
Mandatory training	Low	2017
Health and Safety Policy and Procedures	Low	2018
Absence/Attendance Management	Low	2016
Diversity and Equality Policy	Low	2014
Consultant Succession Planning	Low	2015
Capacity to Deliver – Property and Assets		
Energy and Utilities Management	Medium	Older
Security - Compliance with NHS Security Manual	Medium	Older
Stores and Stock Control - Equipment Bank - ICES	Medium	Older
Annual Stock Taking process	Medium	2017
Space Allocation within DGRI	Medium	Older
Out of Hours Service Pharmacy stock	Medium	Older
Laundry and Linen Services Contract Lanarkshire	Low	Older
CSSD - Tray tracking system	Low	Older
Medical Physics - Equipment and Devices	Low	2017
Stores and Stock Control - Area Supplies	Low	Older
Vulnerability of Steam Supplies	Low	Older
Capacity to Deliver – Information Technology		
Systems for Theatre Management	Medium	Older
Installation of IT - FM considerations	Medium	None
IT Software Licensing	Medium	Older
IT system support	Medium	Older
Disaster Recovery - Planning and Testing	Low	Older
Personnel system (HR.net)	Low	Older
IT Virus protection	Low	Older
A & E CNC Systems	Low	Older
Patient Administration Systems	Low	2016

Audit area	Risk assessed priority	Year of last audit
Capacity to Deliver – Information Governance		
Mail Rooms and Courier Services	Medium	None
Data Protection Act and Caldicott Guardian	Medium	2015
Medical Records	Low	2017
Overreliance on Electronic Communication	Low	Older
Freedom of Information	Low	2016
Performance Management		
Waiting Times - SG request	Medium	2014
Performance Management and Reporting	Low	Older
Local Delivery Plan monitoring and reporting	Low	2015
Patient Safety and Clinical Governance		
Decontamination Process - CSSD	Medium	Older
Blood Borne Virus Transmission	Medium	Older
Medicine Management and Dispensing	Medium	Older
Adult Protection and Support	Medium	2015
Day Surgery Unit	Medium	2015
Screening Programmes - Public Health	Medium	2016
Review of Water Testing Processes	Medium	Older
Management of Cardiology Patient records	Medium	Older
New Hospital - Migration and Commissioning Plans	Medium	2018
Child Protection	Low	2018
Hospital Discharging	Low	2017
Laboratories	Low	2018
Capacity Management	Low	2018
Out of Hours Service	Low	2018
Health Visiting	Low	2014
Morbidity and Mortality reviews	Low	2014
Death certification documentation and processes	Low	Older
DGRI Dental Lab Contaminated material	Low	Older
Infection Control	Low	2016
Effective Partnership Working		
SLA Processes - Public Health	Medium	Older
Monitoring of Partnership Outcomes	Medium	None
Commissioning	Medium	2018
Primary Care - Optical	Low	Older
Primary Care - Prescribing	Low	Older
Change Fund - Putting You First	Low	2015
Asset Management		
Property Transaction Monitoring	Low	2018
Control Environment		
Financial Controls - SFI's and Financial Operating Procedures	Low	2017
Financial Management		

Audit area	Risk assessed priority	Year of last audit
Financial Planning and Directorate Budgetary Control	Low	2017
Financial Ledger Maintenance	Low	Older
Losses and Compensation	Low	2018
Budgetary Control - Ring Fenced Funding	Low	2018
Key Financial Control Systems		
Payroll: Overtime Review	Medium	Older
Patients' Funds processes	Medium	2015
Equipment Bank	Medium	Older
Adults with Incapacity Act	Medium	Older
Income	Medium	2015
Endowments	Low	2016
Payroll: Permanent Data	Low	Older
Travel and Subsistence claims	Low	2016
Patient's Travel Expenses	Low	2017
Revenue Transactions - PFI	Low	Older
Capital Assets	Low	2014
Creditors - Accounts payable	Low	2016
Debtors - Accounts receivable	Low	2017
Ledger Controls and Reconciliations	Low	2018
Cash Control & Banking	Low	2018
Treasury Management	Low	Older
Risk Management		
Risk Management	Medium	2017

Internal Audit Audit Plan 2018/19	
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**1. INTRODUCTION**

- 1.1 This Plan sets out the audit and consultancy work that is proposed for the 2018/19 audit year. The Plan is based on an assessment of risks and exposures that may affect the Board, with the aim of reporting to the Board through Audit and Risk Committee on the adequacy and effectiveness of risk management, control and governance processes.
- 1.2 Quarterly reporting on progress against the plan will be augmented by an annual report prepared by the Chief Internal Auditor which will give an overall opinion on the internal control system within the Board. This Statement of Assurance is one of the assurance sources required by the Accountable Officer in preparation of the 2018/19 Governance Statement.

2. INTERNAL AUDIT PROFESSIONAL PRACTICES FRAMEWORK

- 2.1 In accordance with the Scottish Public Finance Manual, Finance Guidance Note 2012-05, Internal Audit work carried out must be in accordance with the Public Sector Internal Audit Standards (PSIAS), adopted by the Scottish Government in April 2013.
- 2.2 The Chief Internal Auditor is a Chartered Member of the Institute of Internal Auditors (CMIIA) and is therefore required to work within the professional framework as set by the Institute.
- 2.3 The PSIAS are identical to the International Professional Practices Framework (IPPF) of the IIA, but with the inclusion of guidance which provides an interpretation of the Standards for the Public Sector.
- 2.4 Adherence to the Standards will be driven forward by the Chief Internal Auditor to ensure all audit work and outcomes adequately reflect the objectivity, integrity and independence of the department.

3. AUDIT CHARTER

- 3.1 The Audit Charter sets out the purpose of the Internal Audit function within NHS Dumfries & Galloway and the authority and responsibilities conferred by the Board on the Chief Internal Auditor. The Audit Charter has been reviewed and is brought for annual approval by Audit and Risk Committee.

4. AUDIT STRATEGY AND PROCESS FOR AUDIT PLANNING

- 4.1 The Audit Strategy for the Internal Audit function gives an overview of the strategy and processes for audit planning and provides an explanation of the

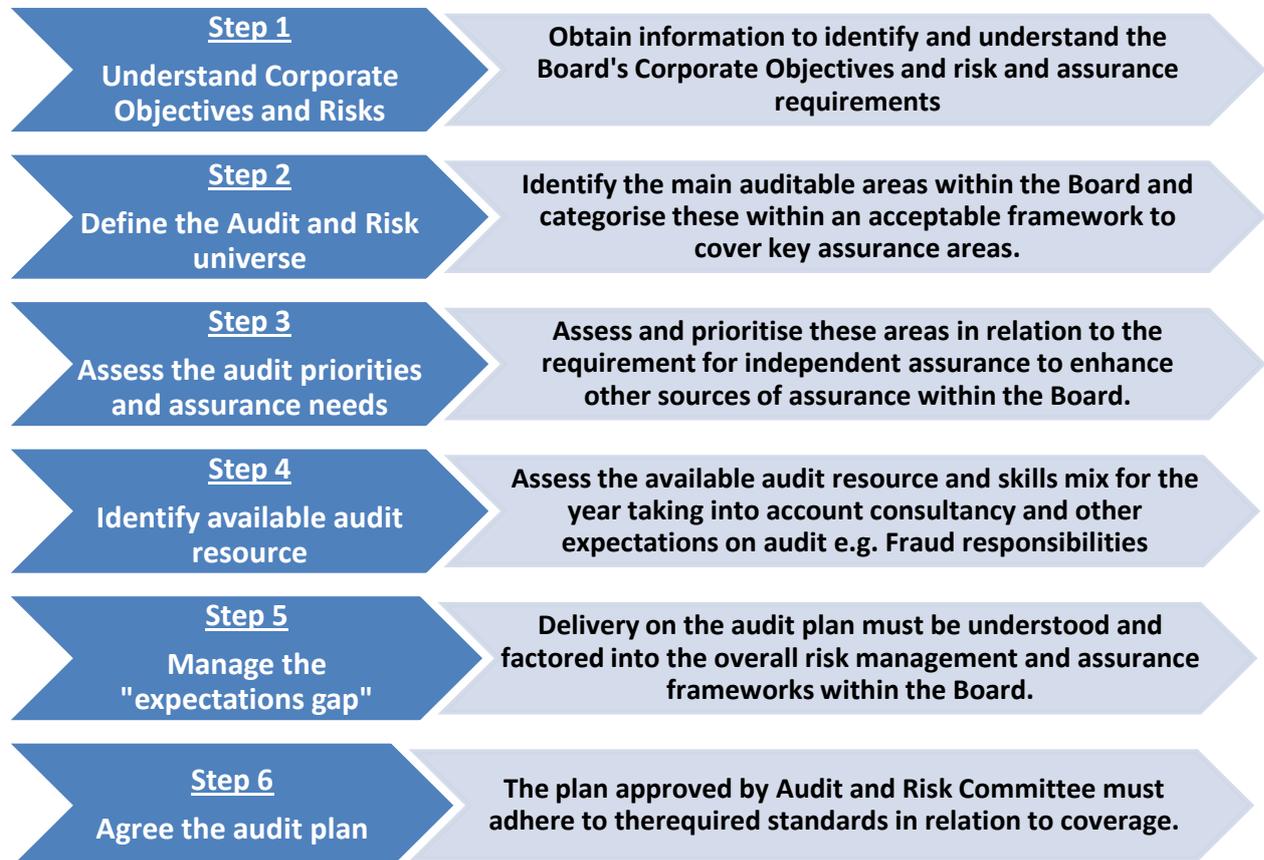
structure and format of the Risk and Audit Universe. This is attached for approval by Audit and Risk Committee.

4.2 Process for Audit Planning

Whilst the Audit Strategy is a set approach to determining how the planning process is undertaken, the planning process itself will have different potential outcomes depending on the Boards overall Assurance Framework and Risk Appetite.

4.3 As detailed in the Audit Strategy the planning process this year has given consideration to the recently created Board Assurance Map. There is potential for Internal Audit assurances to be considered alongside all other assurances available within the board and for this to help further focus where audit resource is directed.

Figure 1 – Audit planning process



4.3 The planning process has been discussed with the Chair of Audit and Risk Committee, Executive Directors and Chief Executive. These discussions have been extremely valuable and will be used to inform the scopes of proposed audits to ensure that emerging issues are considered during the course of the audits. A draft audit plan was taken to Management Team on 20 February 2018 and a great deal of constructive feedback was received.

5. AUDIT RESOURCE

5.1 This paper details the audit resource required to deliver the annual audit plan and gives an overview of the scope and coverage of the plan for 2018/19.

5.2 The audit section is currently resourced by the Chief Internal Auditor and two Auditors. Administrative support is currently provided from within Finance.

5.3 Skills Mix

The Chief Internal Auditor is CMIIA qualified and actively maintains a programme of personal development. One Auditor is also CMIIA qualified and completes her Continuing Professional Development (CPD) as required. The other Auditor has over 25 years experience in internal audit and brings to the team a wealth of knowledge gained across a wide range of organisations and business sectors.

During the course of 2018/19 the audit section will have a full complement of qualified and qualified by experience staff. This increases the professionalism and competencies within the audit section ensuring development opportunities are maximised, working practices within the section are enhanced with input from current audit research and methodologies, and the standard of work undertaken is improved and therefore more robust assurances gained from the audits and a higher standard of reporting of audit findings to management.

5.4 Available Audit Days

Table 1

	CIA	Auditor	Auditor	Total
Annual working days	260	260	260	
Less				
Public Holidays	8	8	8	
Annual Leave	32	32.5	29	
Total available days	220	219.5	223	662.5
Less				
Training and Development	5	5	5	
Mentoring and Work shadow	3	5	5	
Contingency – Sickness etc	9	9	9	
Management and Administration	42	18	18	
Direct staff days	159	182.5	186	527.5
Less				
Counter Fraud Work				36.5
National Fraud Initiative				30
Payment Verification				12
				449
Audit Risk Assessment and Planning				24
Audit Management and Monitoring				35
Audit Liaison				15
Audit Committee				20
Audit follow up				30
Corporate Support				20
Available direct audit days				305

The available direct audit days are based on a full staffing complement resulting in a potential 305 audit days for 2018/19 as detailed in Table 1 above.

The planned direct audit days reflect days allocated to work on audits that will then be reported back to Audit and Risk Committee in terms of completion and outcomes. Audit input in areas of Fraud, Risk Management and Payment Verification will be reported on as an update is required.

- 5.5 Last year there was an addition to the days within the audit plan with the inclusion of days for Corporate Support. There are continual queries and requests for support throughout the year and there are requests for auditors to provide advice on pieces of work related to previous audits undertaken, more often than not to support management or staff in the implementation of audit recommendations. This support has been measured over the last few years within audit time recording processes and this has averaged at approximately 20 days, therefore this allowance continues within the plan for 2018/19.
- 5.6 Due to issues that may arise during the course of the year and emerging audit findings, it may be necessary to amend the audit programme, or the scope of individual assignments. It is proposed that significant changes will be brought to Audit and Risk Committee for prior approval, however where time may not allow for this, information will be brought to the next available Committee meeting on the nature of the change and the overall impact that this may have on the completion of the audit plan.
- 5.7 The Chief Internal Auditor has responsibility for ensuring delivery of the Audit Plan and achievement of the strategic aims of Internal Audit. Work undertaken by the Chief Internal Auditor includes audit planning and risk assessments, reporting against the plan, policy review and consideration of associated audit implications, ongoing monitoring of audit outputs and quality, input in Payment Verification (PV) meetings and development of a PV assurance framework and completion of the annual Statement of Assurance. Attendance at meetings and events such as national audit and governance events and Counter Fraud Services meetings are included within the days above.
- 5.8 The Chief Internal Auditor, in her role as Fraud Liaison Officer, carries out both proactive and reactive fraud work. It is anticipated that the focus of this work in the forthcoming year will include further review of the Proactive Fraud Plan and general Fraud awareness raising. The 2018/19 National Fraud Initiative will have an impact on audit resource through to mid 2019 with 30 days being allowed for this from within the audit resource available. Further support is being sourced from within Payroll and Creditors to clear report matches.

Any changes to the above will impact on audit days available and therefore plan delivery.

6. AUDIT PLAN COVERAGE

6.1 The potential Audit Plan coverage is detailed below.

The Audit Plan is structured to provide sufficient coverage to achieve the objectives of Internal Audit, which are to provide an independent opinion on the effectiveness of risk management, control and governance processes within the Board across the main strands of governance; Clinical, Staff, Financial and Information.

Table 2 – Risk Assessed Audit Plan coverage

NHS	IJB	Audit Area	Risk Assessed Priority	Year of last audit	Previous assurance level	Audit Days
✓	✓	Delegated Authorities	Very High	None	No previous audit	25
✓		Contract Management	High	None	No previous audit	20
✓		Recruitment and Retention	Very High	None	No previous audit	20
✓		Transport	Very High	Older	Limited	25
✓		Waste Management	Very High	2015	Limited	23
✓		IT Security	Very High	None	No previous audit	20
✓	✓	Telehealthcare	Very High	None	No previous audit	20
✓	✓	Services for Older People	Very High	Older	No previous audit	20
✓		Adverse Incident Reporting	Very High	Older	Moderate	24
✓		Hospital Cleaning	High	None	No previous audit	20
✓	✓	Patient Access and Waiting Times	High	Older	Moderate	20
✓		Property Transaction Monitoring	Low	2018	Comprehensive	10
✓	✓	Payroll	High	2015	Moderate	20
✓	✓	Equipment Bank	Medium	Older	Significant	20
✓		Capital Assets	Low	2014	Significant	18
						305

6.2 At this point in time there are many risks facing the Board in relation to a number of change programmes, financial constraints, an increased prevalence of fraud nationally, Health and Social Care Integration and a new working model associated with the new hospital. The proposed plan covers a range of audit areas with an aim to deliver independent assurances where they are most required.

6.3 The Chief Internal Auditor is also the Head of Audit for the Integration Joint Board (IJB). It is assumed that this will continue into next year and the plan has been developed on this basis. The coverage above will also provide assurances to the IJB Audit and Risk Committee and will be reported accordingly. This approach has been discussed with the Chief Officer and Chief Finance Officer for the IJB and has been endorsed by them. The table above indicates where assurances will be provided to the IJB as well as the NHS Board.

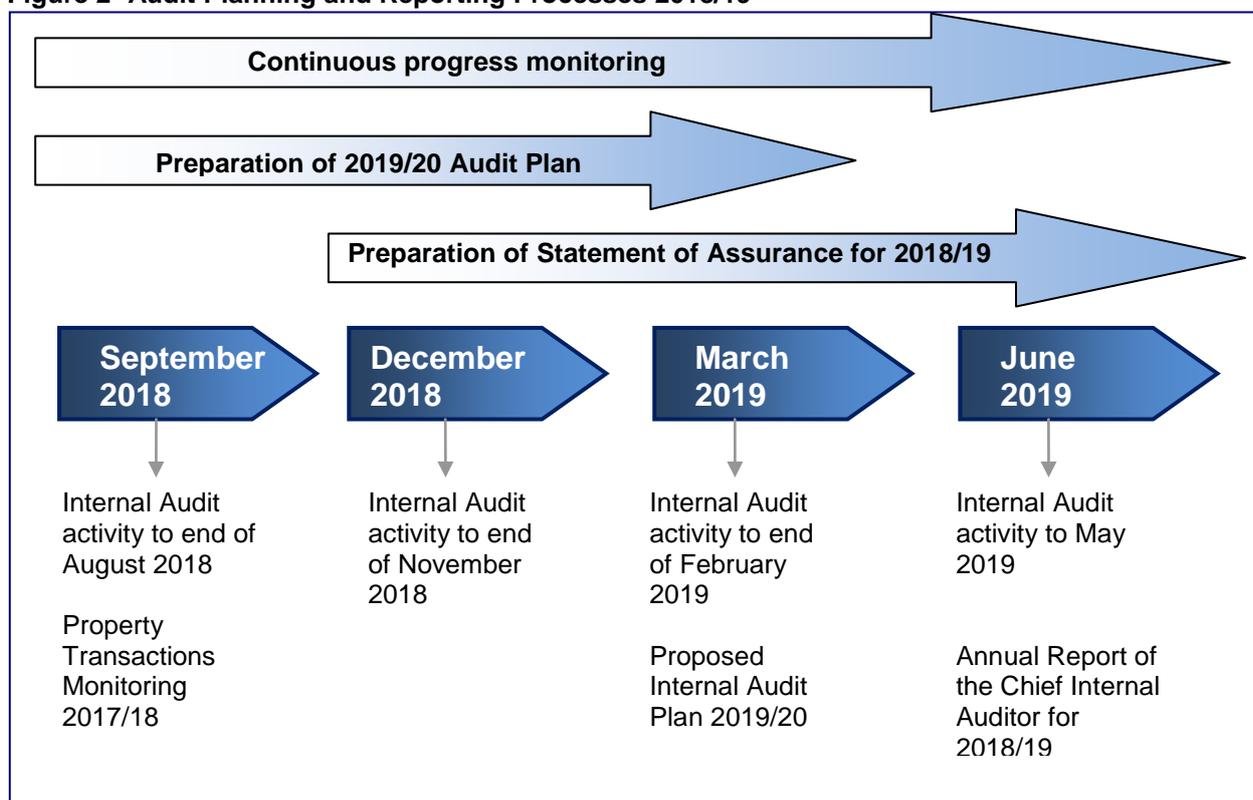
Table 3 – Structure of the Audit Plan in Previous Years

	Audit Days					
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Priorities and Risks	245	230	230	135	215	186
Control Environment	12	20	0	0	0	0
Governance	10	25	20	75	20	25
Risk Management	0	0	20	20	0	24
Financial Management	10	0	0	45	20	0
Asset Management	10	15	15	20	10	10
Transaction Systems	38	50	45	50	43	58
Total	325	340	330	345	308	305

- 6.4 In terms of the perception of overall assurance, this is an area of judgement, primarily of the Audit and Risk Committee and of the Accountable Officer who will use this as information that informs the annual Governance Statement. The format of the Audit Plan that is proposed is intended to allow adequate information on levels of assurance across wide areas of the Board that will enable this perception of assurance to be formed.
- 6.5 Where there is a limitation to the number of available audit days, it is essential that audits carried out are focussed on areas where greater assurance is required within the Board. There is also an ongoing aim to improve efficiencies in the overall audit resource available.

7. REPORTING AGAINST THE PLAN

Figure 2 -Audit Planning and Reporting Processes 2018/19



- 7.1 The figure above (Figure 2) identifies the reports and other information that Audit and Risk Committee should expect to receive from the Chief Internal Auditor, in relation to progress against the 2018/19 Audit Plan.
- 7.2 Other reports will be brought to Audit and Risk Committee as necessary to update on relevant issues that may require attention. This is in addition to reporting on Fraud and other matters that may be required to be brought to the attention of Audit and Risk Committee.
- 7.3 At the end of an audit a report is issued to management which gives an overall assurance grading for the area reviewed. These are as follows:
- Comprehensive
 - Significant
 - Moderate
 - Limited
 - Unable to provide assurance

Limited Assurance audits and Unable to provide assurance reports will be brought back to Audit and Risk Committee for information.

- 7.4 The Annual Report of the Chief Internal Auditor will include the Statement of Assurance used to inform the Governance Statement. This will also include information on the performance of the Internal Audit function in relation to the KPI's set within the department.

8. FUTURE AUDIT PLANS

- 8.1 It is intended through annual review of the Risk and Audit Universe that the Very High and High risks will be prioritised over future years, although it is apparent that there are a large number of audits that will never be covered. The Audit Universe carries over 2000 potential days worth of audits, which demonstrates the requirement for a thorough risk assessment and linking into the Board Assurance map to ensure appropriate assurance is brought forward from the work that is undertaken.
- 8.2 Any concerns in relation to resourcing the Audit Plan or changes that may impact on service delivery will be brought back to the Audit and Risk Committee for consideration.

9. SUMMARY

- 9.1 The processes for risk assessment and audit planning ensure that the proposed Audit Plan for 2018/19 aims to provide relevant assurances from audit work undertaken and allow targeted reporting on audit outcomes to appropriate levels within the Board.

9.2 The Audit and Risk Committee is therefore asked to consider the proposed Internal Audit Plan for 2018/19 and approve audit coverage that is being proposed to deliver the assurances required.