

DUMFRIES and GALLOWAY NHS BOARD

AUDIT AND RISK COMMITTEE

22nd June 2020



Annual Internal Audit Report 2019/20

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Sponsoring Director:
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Date: 11th June 2020

RECOMMENDATION

Audit and Risk Committee is asked to **discuss and note**:

- The contents of this report which summarises the work undertaken by Internal Audit to provide assurance and provide an opinion on the internal control environment within the Board for the 2019/20 financial year.

CONTEXT

Strategy/Policy:

The Chief Internal Auditor's Annual Statement of Assurance, as required for the Governance Statement, is attached in **Appendix 3**.

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

This Annual Report presented to Audit and Risk Committee provides an overview of the outcomes of the 2019/20 Internal Audit Plan and highlights the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Board's internal control framework, risk management and governance processes.

GLOSSARY OF TERMS

Datix	-	Board's Risk Management system
EQA	-	External Quality Assessment
KPIs	-	Key Performance Indicators
SFI's	-	Standing Financial Instructions

MONITORING FORM

Policy / Strategy Implications	This paper is part of the overall Internal Audit reporting framework where assurance is provided to the Board through Audit and Risk Committee.
Staffing Implications	None
Financial Implications	None
Consultation / Consideration	None
Risk Assessment	Internal Audit work is undertaken within a risk-based auditing framework. Internal Audit risks are assessed and contained within the Internal Audit risk register on Datix.
Risk Appetite	<p style="text-align: center;">Low <input checked="" type="checkbox"/> Medium <input type="checkbox"/> High <input type="checkbox"/></p> <p>In the absence of an appetite statement in relation to governance and compliance with board policy this is deemed to be low in that this is a key part of the boards control framework and essential to the workings of Audit and Risk Committee.</p>
Sustainability	Sustainability is considered within the Audit Planning process.
Compliance with Corporate Objectives	The Internal Audit plan is informed by all NHS Dumfries and Galloway's corporate objectives and considers the risks that may impact on their achievement.
Local Outcomes Improvement Plan (LOIP)	Whilst considered, not directly relevant to this paper
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
Impact Assessment	<p>Whilst a full impact assessment has not been undertaken, Equality and Diversity issues are fully considered during the audit planning process and as each audit is undertaken.</p>

CONTENTS

	<u>Page</u>
1. Introduction	4
1.1 Introduction	4
1.2 Background	4
1.3 Role of Internal Audit	4
2. Assurance report	5
2.1 Audit Plan 2019/20	6
2.2 Assurance gained from Audit work	6
2.3 Reporting to Audit and Risk Committee	7
3. Performance report	9
3.1 Performance Management	9
3.2 Audit Activity	9
3.3 Reporting to Management	10
3.4 Audit Follow-up processes	11
4. Summary	13
5. Acknowledgements	13
Appendices	
Appendix 1 – Audit Plan 2019/20 – Progress and Outcomes	14
Appendix 2 – Internal Audit Performance Measures - KPIs	15
Appendix 3 – Statement of Assurance	16

1. INTRODUCTION

1.1 Introduction

This Annual Report presented to Audit and Risk Committee provides a formal overview of delivery against the 2018/19 and 2019/20 Internal Audit Plans and details other work undertaken within the Audit department during the course of the year. This report also provides the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Board's internal control framework, risk management and governance processes for the financial year 2019/20.

This report has been structured to:

- Summarise assurances gained from the 2018/19 and 2019/20 audit plans,
- Draw attention to areas of particular relevance through audit opinions and assurances gained,
- Summarise Internal Audit activity for 2019/20 and include performance indicators, and
- Provide the Chief Internal Auditor's Annual Statement of Assurance – **Appendix 3**.

1.2 Background

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Board's operations. It helps the Board to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.” PSIAS

Internal Audit activity covers all the Board's systems and the internal controls established to:

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

Executive Directors and Senior Management are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their service areas and Internal Audit assesses the adequacy of, and provides assurance on, these arrangements.

The Chief Internal Auditor is responsible for the production of a risk based Annual Audit Plan, which is structured to ensure that the highest risk areas of the Board are audited within acceptable timescales, by audit resources appropriate to enable adequate assurances to be provided to Audit and Risk Committee.

1.3 Role of Internal Audit

The purpose, authority and responsibilities of the Internal Audit function within NHS Dumfries and Galloway are set out in the Internal Audit Charter.

The Audit Charter was revised and presented to Audit and Risk Committee for approval in April 2019 along with the 2019/20 Audit Plan. The Charter included minor revisions made to ensure that it reflects all current audit guidance and gives due consideration to the Public

Sector Internal Audit Standards. As the Board's Standing Financial Instructions had been amended with the Internal Audit section being removed all relevant information has been included in the Internal Audit Charter, avoiding duplication.

The Statement of Assurance provides an overview of the work undertaken during the course of the year and the assurances that can be provided from our audit work to the Chief Executive as Accountable Officer and our External Auditors.

2. ASSURANCE REPORT

2.1 Audit Plan 2019/20

The Internal Audit Plan for 2019/20 was approved at Audit and Risk Committee in April 2019.

The plan was structured to provide assurance on key areas and processes that were risk assessed to be the highest priority areas within the Board and to support the assurances required at year-end for the Governance Statement.

The coverage of the plan is intended to provide assurance on whole processes, with testing being undertaken across large samples within the Board. This highlights interdependencies and reliance across services and directorates which can become more fragile as resources are stretched. This is felt to be a more effective use of audit days with more meaningful information coming through in the audit reporting.

Internal Audit have completed 6 audits from the 2019/20 plan to reporting stage. This is in addition to the completion and reporting of audits from the 2018/19 plan.

The following table indicates all reports that have been issued since June 2019 and therefore have delivered assurance during the 2019/20 audit year.

Table 1

Audit		Assurance
A/01/19	Delegated Authorities	Moderate
A/10/19	Hospital Cleaning	Significant
TS/10/19	Payroll	Significant
A/03/19	Transport	Moderate
A/06/19	Waste Management	Moderate
A/05/19	Digital Health	Moderate
A/08/19	Patient Access and Waiting Times	Moderate
TS/18/19	Integrated Central Equipment Stores	Significant
A/09/19	Services for Older People	Significant
A/04/19	IT Security	Moderate
A/02/19	Contract Management	Moderate
A/06/20	Stores & Stock Control – Pharmacy	Significant
A/04/20	HR Systems – eESS	Limited
A/01/20	DLs and Scottish Government Guidance	Moderate
A/02/20	Feedback Management (incl Complaints)	Moderate
A/03/20	Remote Working	Moderate
RM/01/20	Risk Management	Limited

Two audits have been formally carried forward into the 2020/21 audit plan. These are Health Inequalities and Community Engagement.

Due to year end pressures and resourcing issues we were asked to defer the Externals audit for a few months therefore this will commence in August/September 2020. We have also rolled the Financial Transactions audit into the Financial Governance audit to allow for some of the recent review processes within Financial Governance to become embedded and therefore to allow for adequate transactional data for testing.

All of the audits completed have been used to inform the Chief Internal Auditor's Statement of Assurance and are summarised in the table in **Appendix 1**.

2.2 Assurances gained from Audit work

Assurance levels are based on a number of different elements to form an opinion on the audit area, but ultimately any assurance given from our audit work is evidence based. Where a test cannot be carried out or where evidence cannot be provided then formal assurance cannot be given that satisfactory controls or processes are in place to support the achievement of objectives within a given area.

The table in **Appendix 1** at the end of the report expands on this by mapping the audits against the Best Value characteristics and the four main strands of Governance as detailed by the Scottish Public Finance manual (SPFM) to enable this information to be used to inform the Statement of Assurance and to provide information on where independent assurance has been gained across these areas.

The assurances from the various audits are summarised in the table below.

Table 2 – Assurances on audit work

Audit title	Assurance level			
	Limited	Moderate	Significant	Comprehensive
Delegated Authorities		◆		
Contract Management		◆		
Transport		◆		
IT Security		◆		
Digital Health		◆		
Waste Management		◆		
Patient Access and Waiting Times		◆		
Services for Older People			◆	
Hospital Cleaning			◆	
Equipment Bank			◆	
Payroll			◆	
Stores & Stock Control – Pharmacy				◆
HR Systems – eESS	◆			
DLs and Scottish Government Guidance		◆		
Feedback Management (incl Complaints)		◆		
Remote Working		◆		
Risk Management	◆			

Overall, the 2018/19 and 2019/20 audit plans have delivered mixed levels of assurances which I have used to inform this year's opinion.

Five audits have given a Significant level of assurance, ten audits have given Moderate Assurance and there have been two Limited Assurance audits, whereas there were none during 2018/19.

All audit reports are now being taken to the quarterly Audit and Risk Committee meetings as they are finalised. This is in addition to the process of Limited Assurance audits remaining a standing agenda item for the committee to ensure that the actions that require closure are reported back until they are completed so that the risks which the Board is carrying can be understood.

2.3 Reporting to Audit and Risk Committee

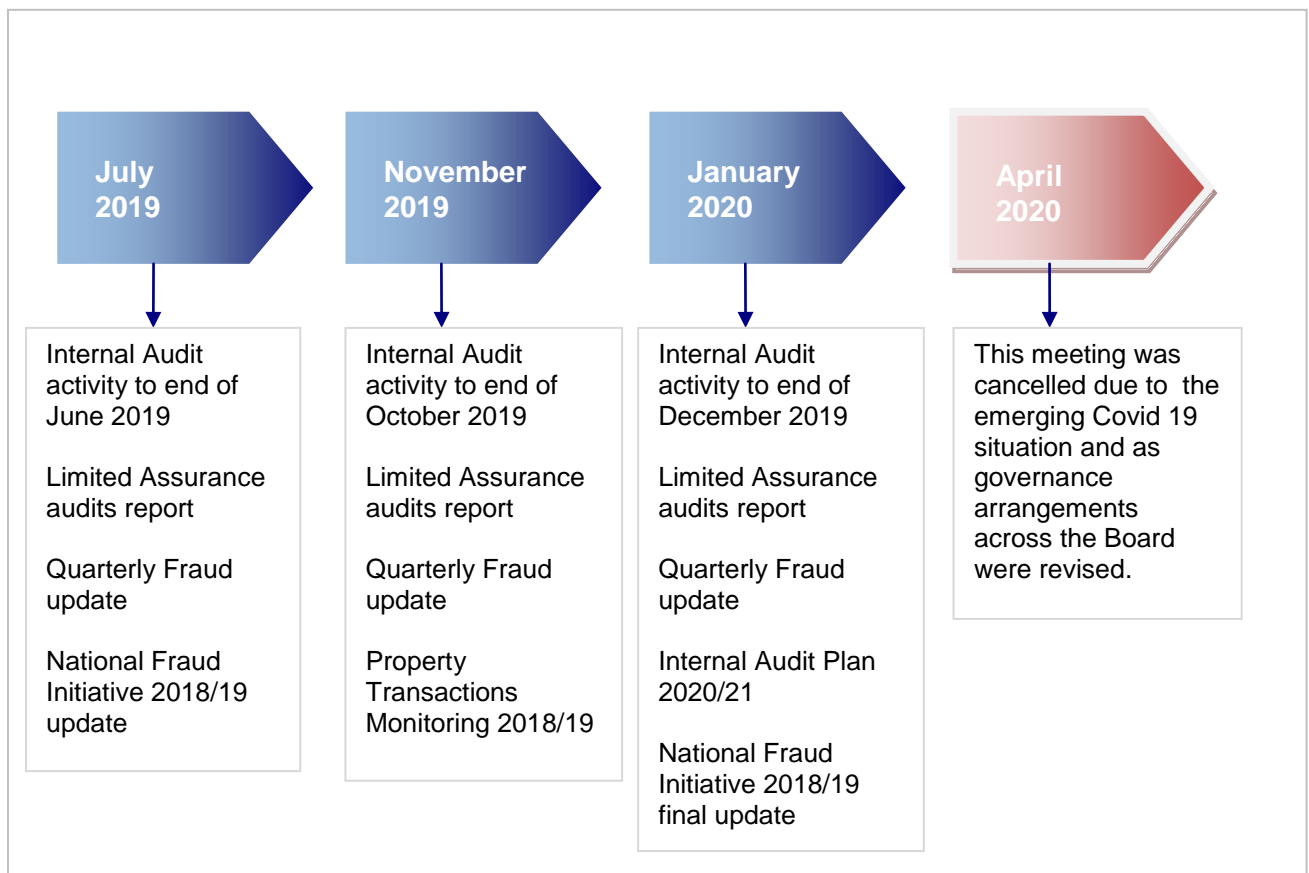
In addition to Audit and Fraud reporting, Intelligence Alerts from Counter Fraud Services are also brought to each Audit and Risk Committee as they are issued. These are detailed in the Annual Fraud report.

Specific Limited Assurance audit reports are brought to Audit and Risk Committee as they are issued so that committee are made aware of specific weaknesses in the area that has been reviewed.

Limited Assurance audits now remain a standing item on the Audit and Risk Committee agenda to ensure that the continued focus on the closure of audit actions will not allow these audits to lose visibility and to ensure that committee members receive updates on progress against these audits and have the opportunity to request further assurance from management as required.

During 2019/20 the following reports were brought to Audit and Risk Committee by the Chief Internal Auditor.

Figure 1 – Quarterly reporting to Audit and Risk Committee – 2019/20



The two Limited Assurance audits relate to HR Systems – eESS and Risk Management. The reports for these audits will be brought in full to the July 2020 Audit and Risk Committee meeting.

As has been reported in previous years, during the course of audits, the audit team continue to have some very challenging conversations with managers in relation to the areas of Risk Management, Business Continuity and the board's policy framework.

Managers feel they are being singled out when they are being questioned about what they do in these areas and feel they do not have appropriate guidance. There is a lack of awareness or understanding of these critical areas of board governance which given the national recognition of the importance of governance in the NHS with the Governance Blueprint is not acceptable moving forward.

Unless there is a change of focus within the board we will continue to receive negative feedback which may impact on future opinions of the Chief Internal Auditor on the risk management and governance framework within the Board.

3. PERFORMANCE REPORT

3.1 Performance Management

Internal Audit have a range of key performance indicators within the section. These indicators are intended to measure internal performance and also measure those external factors that may impact on delivery of the audit plan. The balanced scorecard approach which has been adopted provides a rounded set of measures that provide information to track performance throughout the year.

These performance indicators are subject to ongoing review and are used to inform the function's quality assurance and improvement processes. This information was of particular use when the audit function went through an External Quality Assessment (EQA) process a number of years ago. One of the actions was to enhance the KPI's with the involvement of Audit and Risk Committee which incorporated the Chief Internal Auditors objective setting process to ensure that a top down approach was adopted.

3.2 Audit Activity

The audit team continue to use AutoAudit, an audit software system, which was introduced during 2012/13. The functionality of the system has been developed to dovetail with existing audit processes. This is ongoing and as audit practices evolve the system is reviewed to ensure that it supports these. The system has built in flexibility which helps the team to reflect changes in audit practice and update the system with emerging risks.

The software is currently 2 years behind on upgrades as these are no longer compatible with Windows 7, with the most recent version only running on Windows10.

At key stages in each audit we have taken the opportunity to move from paper based to software hosted processes. This has been tested as we have gone along to ensure that the functionality of the system is operating as would be expected.

The audit plan for 2019/20 carried 290 audit days based on a complement of 2 audit staff. Due to a vacancy during a year we advertised for an Auditor/Trainee Auditor role. Due to the strength of the applicants and the fact that the audit plan was running behind, a decision was made to recruit to both an Auditor and a Trainee Auditor role to allow for this backlog in work to be completed and to create some resilience within a historically vulnerable team. Both have been in post since mid-January.

During the year 209.83 audit days were undertaken by the audit team. This is broken down as follows

- 142.96 days against the 2019/20 audit plan
- 66.87 days against the 2018/19 audit plan

The Internal Audit function has suffered a number of resource pressures during the course of the year with a staff vacancy and unexpected leave of absence. This shortfall in audit days (80.17) coincides with a vacancy within the audit section which left a gap of 16 weeks (80 days)

We have also encountered pressures, as has the whole organisation, in relation to adapting to the significant impact that Covid19 has had on our working environment.

The focus of the section in the last two months of the audit year which would normally be on completion of the audit plan has been adapting to the changing risk profile within the Board and to ensure that audit focus is on the key areas where assurance will be required in an emergency situation. This has left very little capacity for any additional elements other than the induction and initial objective setting and training for the audit team.

The main elements of non-audit time are:

- Personal Development – 100.73 days
- Audit Development – 64.47 days
- Administration - 29 days and
- Corporate Support - 44 days with
- Follow up recording 8.77 days.

Time recorded against Audit Development and Administration includes, for example, ongoing maintenance of our audit system, review of working documents and maintenance of our Internal Audit intranet page. This has increased as we have had some issues with our AutoAudit system. We are currently behind on scheduled upgrades to the system and the two recent versions are no longer supported for Windows 7 or Office 2007, therefore we have had to introduce a number of workarounds until we can get Windows 10 and Office 365 installed. This is therefore time spent by the audit team on non-audit specific tasks. There is an aim to reduce this time next year.

There has been a continued focus this year in getting responses to outstanding actions on Issue Track. This requires review of every response that comes through on the system and verification that the evidence provided has met the requirements of the initial recommendation. Follow up time is similar to last year, although audit have been asked to review management responses in a number of spreadsheets that have been brought back to Audit and Risk Committee. This time has been recorded against Corporate Support as this has been limited to a review of updated information with no evidence provided and therefore no opportunity to close the actions off.

Corporate Support currently stands at 44 days this year (35.37 last year). Time allocated against this includes attending meetings such as Information Assurance Committee, fire officer duties, support to staff on completing their actions within Issue Track and dealing with ad hoc requests for support. Although this had been reduced for the first part of the year, this increased at the end of the year as the audit team spent a 2-3 week period at the beginning of March supporting other areas in the organisation in their response to Covid19. As this increases this will impact on audit plan delivery and therefore will need to be reduced this coming year.

Internal Audit's full KPIs are detailed in **Appendix 2**.

3.3 Reporting to Management

The outcomes of all audits are reported to relevant local managers and Directors, Audit and Risk Committee, the Chief Executive (Accountable Officer) and External Audit. A series of recommendations to remedy any control weaknesses or risks are identified in the Management Action Plan at the end of the audit report, to which a response is given by management in the form of an agreed action to meet the requirements of the recommendation.

For every recommendation that is made there has been a risk or control weakness identified which, until addressed by management remains an outstanding risk to the Board or may

open up the system which has been audited to abuse or manipulation. It is therefore a crucial element of the audit process that timely responses to all recommendations made are identified and passed back to Internal Audit so that the audit report can be finalised and issued to the Accountable Officer and our External Auditors.

3.4 Audit Follow-Up Processes

As previously mentioned, all recommendations are input into the AutoAudit software system as reports are issued. As audits are undertaken the risks, controls, findings, actions and subsequent management update are recorded on the system.

By using AutoAudit and the webhosted section Issue Track, we can facilitate the management update of any outstanding issues and subsequent internal audit verification of the implementation of agreed action points.

These processes do not detract from the assurances gained from the confirmation provided by management to the Chief Executive updating on the implementation of agreed recommendations. This is a valuable part of the assurance process whereby managers are informing the Chief Executive as Accountable Officer directly of their progress on recommendations.

The monitoring of the implementation of audit recommendations is an area that is under continuing review to ensure that the processes for collation of, and the mechanism for reporting on progress against, recommendations is as efficient as possible. Auditors currently monitor progress against each recommendation and identify whether the action is complete or whether there is a requirement for further testing.

Information within the system can be accessed at any time which allows for real time monitoring of progress against identified risks. The position as at 1st June 2020 is detailed below.

Table 3 – Audit actions by Director

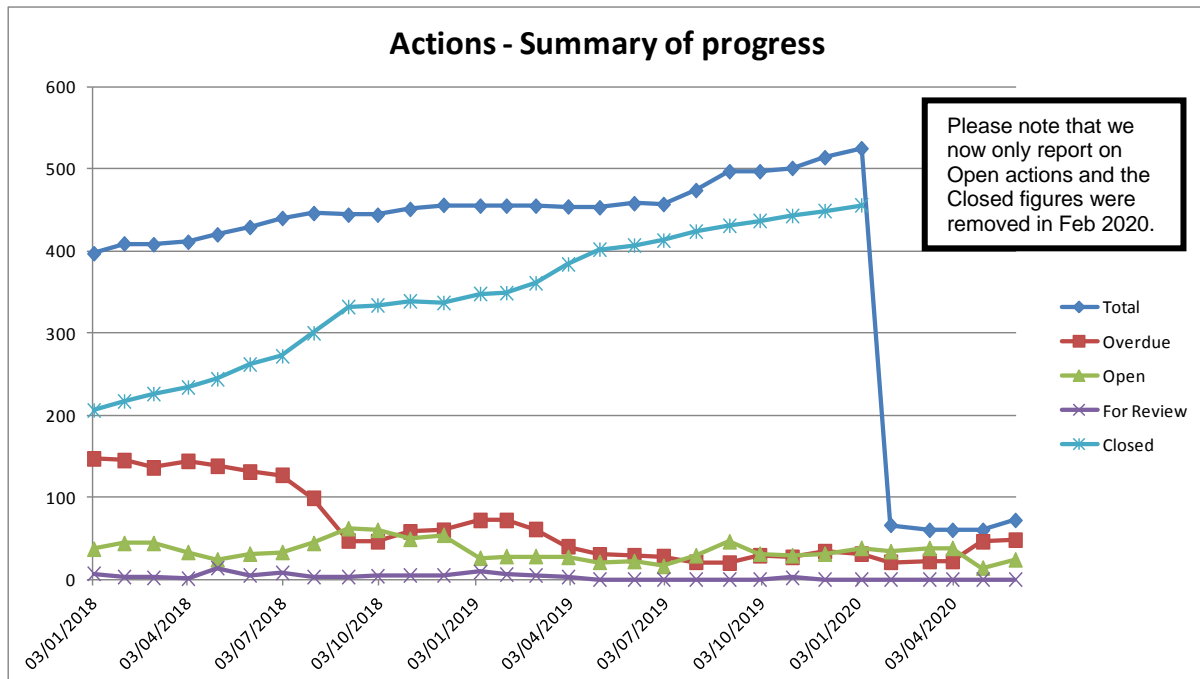
Director	Total	Overdue	Open	Pending Review
Finance	7	5	2	0
COO/Integration	30	25	5	0
Nursing	8	8	0	0
Chief Executive	6	6	0	0
Workforce	14	3	11	0
Medical	7	1	6	0
Public Health	0	0	0	0
Total	72	48	24	0

The numbers of overdue actions for the last few year-ends is detailed below as a comparison.

- June 2018 – 131
- June 2019 – 29
- June 2020 - 48

This drop in overdue actions has been due to a concerted effort on the part of management to clear these. This gives the opportunity for management to review their actions and to determine if these are still relevant and current. None have been closed due to being irrelevant or obsolete. Management continue to recognise that these should be actioned and have detailed their responses accordingly.

Figure 2



We can see that the number of overdue actions was reducing and this should be recognised as a significant improvement on previous years. It should be ensured by management that this focus continues and this is not seen as a one off exercise. Whilst there has been an improvement in understanding of the governance aspects to closing off actions, there is still a requirement to develop understanding across the board in relation to governance, risk management and internal controls.

The impact of Covid-19 on management capacity at year end to respond to audit recommendations has resulted in a slight increase in the last couple of months. We have had a number of discussions with managers regarding revised targets dates, but have also encouraged review of actions to identify those which may require to be prioritised to facilitate urgent changes in working practices and controls at this point in time.

It was agreed at the Audit and Risk Committee in March 2015, that whilst there are actions that remain overdue, the status of Limited Assurance audits will remain a standing item on the Audit and Risk Committee agenda. Two actions have been reported during the course of the year and we have recently closed the remaining action from the 2013 Risk Management audit. The action from the 2018 Health and Safety audit remains open and will be reported back to Audit and Risk Committee in July 2020.

Information on progress against outstanding actions will continue to be reported to Audit and Risk Committee and Management Team to allow improvement measures to continue as required.

4. SUMMARY

Many improvements have been introduced within Internal Audit to ensure better working practices are adopted and to ensure that appropriate professional standards are adhered to. This requires consolidation to ensure that the assurances gained from audit work undertaken reflect the professionalism and effectiveness of the section.

The Statement of Assurance in **Appendix 3** provides more detailed information on audit assurances as they relate to the specific areas within the Governance Statement.

5. ACKNOWLEDGEMENTS

I would like to take this opportunity to thank all members of staff within the Board for the help and co-operation extended to Internal Audit and to thank the audit team and administrative support for their continuing commitment and effort during the course of the year.

Audit Plans for 2018/19 and 2019/20 – Progress and Outcomes

Best Value							Governance				Assurance								
Vision and Leadership	Governance and Accountability	Use of Resources	Performance Management	Effective Partnerships	Equality	Sustainability	Financial	Staff	Clinical	Information		Status	Recommendations						
													A	B	C	D	Total		
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A/01/19	Delegated Authorities	Final	-	8	4	-	12	Moderate
✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	A/02/19	Contract Management	Prelim	-	2	6	-	8	Moderate
	✓	✓	✓	✓		✓	✓				A/03/19	Transport	Final	2	5	4	-	11	Moderate
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A/04/19	IT Security	Final	1	2	6	-	9	Moderate
		✓	✓	✓	✓	✓	✓	✓	✓	✓	A/05/19	Digital Health	Final	-	-	4	-	4	Moderate
	✓	✓	✓	✓		✓	✓	✓	✓	✓	A/06/19	Waste Management	Final	-	4	6	-	10	Moderate
	✓	✓	✓	✓		✓	✓		✓	✓	A/08/19	Patient Access and Waiting Times	Final	-	1	5	-	6	Moderate
✓	✓	✓		✓	✓				✓	✓	A/09/19	Services for Older People	Final	1	-	1	-	2	Significant
		✓	✓	✓	✓		✓	✓	✓	✓	A/10/19	Hospital Cleaning	Final	-	2	3	-	5	Significant
	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	TS/10/19	Payroll	Final	-	2	-	-	2	Significant
	✓	✓	✓		✓	✓	✓		✓	✓	TS/18/19	Equipment Bank	Final	-	3	4	-	7	Significant
✓	✓		✓		✓	✓	✓	✓	✓	✓	A/01/20	DLs and SG guidance	Final	-	3	5	-	8	Moderate
			✓	✓	✓			✓	✓	✓	A/02/20	Feedback Management (incl Complaints)	Final	-	7	5	-	12	Moderate
		✓		✓	✓	✓	✓	✓	✓	✓	A/03/20	Remote Working	Prelim	-	2	5	-	7	Moderate
		✓		✓	✓	✓	✓	✓	✓	✓	A/04/20	HR Systems – eESS	Final	-	5	14	-	19	Limited
		✓	✓	✓	✓	✓	✓	✓	✓	✓	A/06/20	Stores and Stock Control – Pharmacy	Final	-	1	7	-	8	Significant
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	RM/01/20	Risk Management	Prelim	-	8	16	-	24	Limited
											A/05/20	Pre-employment checking	WIP						Nearing reporting stage
											A/07/20	Health Inequalities	2020/21						Approved ARC Jan 20
											A/08/20	Community Engagement	2020/21						Approved ARC Jan 20
											FM/01/20	Externals – activity monitoring	2020/21						Request to defer
											TS/01/20	Financial Transactions	FM/01/21						Rolled into FM/01/21

Internal Audit Performance Measures – KPI's

Goals	Cost, Quality, Delivery	Measures	KPI	2019/20
Stakeholder perspective To assist the board through the enhancement of working practices and system/process controls.	Q	Recommendations accepted	95% of audit recommendations to be accepted	100% of recommendations accepted
	Q	Timely closure of audit issues		
	Q	Audit feedback requested from management on issue of final reports detailing satisfaction measures and feedback.	To increase to at least 50% return rate	
Internal Business perspective Operate an efficient and effective service through the timely provision of internal audit deliverables.	D	Percentage of audit plan complete	To be within 10% of budget	71.48% completed
	D	Audit days – Budget v Actual *based on finalised audits	To be within 10% of budget	3 audits from 18 (16.6%) have fallen out with this target
Continuous Improvement perspective Maintain an appropriately qualified and experienced Internal Audit resource that meets relevant standards	Q	Conduct an annual self assessment of IA compliance against PSIAS	Completed during each audit year	November 2019
	Q	Personal development reviews completed within timescales	100% completed within last 12 months	All completed to timescale
Financial perspective To utilise resources in the most efficient and effective manner.	C	To deliver the audit plan for year within the budget allocated	To be within 10% of budget	Audit department within agreed budget

**Annual Statement of Assurance
from the Chief Internal Auditor
2019/20**

Chief Internal Auditor's opinion of the System of Internal Control for 2019/20

This statement is provided for the use of NHS Dumfries and Galloway in support of the Governance Statement for the year ended 31 March 2020.

Based on our work throughout the year, Internal Audit have concluded that:

- There were adequate and effective internal controls in place throughout the year, and
- The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role,

In addition, we have not advised of any concerns around the following:

- The format and content of the Governance Statement in relation to the relevant guidance,
- The process adopted in reviewing the effectiveness of the system of internal control and how these are reflected,
- Consistency of the Governance Statement with the information that we are aware of from our work, or
- The disclosure of relevant issues, where the Chief Internal Auditor was advised a disclosure was to be made around the Risk Management Limited Assurance audit

The 2019/20 Internal Audit plan has been delivered in line with the Public Sector Internal Audit Standards.

1. INTRODUCTION

This Annual Statement of Assurance has been created to formally document and communicate the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Board's internal control framework for the financial year 2019/20.

This Statement should be read in conjunction with the other information received, as outlined in the Governance Statement guidance, to support the Accountable Officer and Audit and Risk Committee's conclusions on the adequacy and effectiveness of internal controls.

2. BACKGROUND

The Chief Internal Auditor is required to give an annual opinion to the Board through the 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.

As the Board's Accountable Officer, the Chief Executive is required to sign a Governance Statement for inclusion within the Annual Accounts.

The report of the Chief Internal Auditor is a key element of the independent assurance that is included in the overall framework of assurance and evidence of compliance that should be considered within the Governance Statement.

3. THE GOVERNANCE STATEMENT

The purpose of good governance within any organisation is to ensure that the level of direction and management of the affairs of the organisation is sufficient to align corporate behaviours with the expectations of the public and to be accountable to all stakeholders in the public interest. The process of governance involves the clear identification of responsibilities, accountabilities and adequate systems of supervision, control and communication.

As Accountable Officers, Chief Executives have a responsibility for maintaining a sound system of internal control and must prepare a Governance Statement that is accurate, complete and fairly reports the known facts.

Over a number of years there have been changes to the year-end governance reporting requirements which has seen a move from the original Statement of Financial Controls to the Statement on Internal Control and, currently, the Governance Statement. This has been driven by a number of factors such as significant corporate collapses and major governance failings, which has led to the development of the UK Corporate Governance Code.

The issuing of guidance by the Scottish Government each year is seen as a cumulative process with Boards building on the strengths of the implementation of previous years' guidance and further developing processes to evidence compliance against the various aspects of governance. The guidance within the online section of the Scottish Public Finance Manual (SPFM) summarises a range of assurances necessary to support the statement to ensure they are from as wide a range of sources as possible within NHS Boards. Whilst not being overly prescriptive on the format of the Governance Statement, the guidance details essential features for inclusion within the statement and draws Accountable Officer attention to the four governance strands of Clinical, Staff, Financial and Information Governance.

Audit Scotland completed a piece of work around good practice in preparing Governance Statements in May 2016 to help boards improve the disclosures made within their governance statements and ensure that they comply with the requirements of the SPFM. This guidance has been used by the board for a number of years to develop the quality of our statement moving forward.

The Board has produced a Governance Statement which does not identify any disclosures, although it had been expected following discussion during preparation of this that the Governance Statement would have made disclosure of the Limited Assurance Risk Management audit.

My evaluation of the Chief Executive's compliance with Accountable Officer requirements and of the Board's Governance Statement draws on:

- the results of individual audits conducted during the year,
- assurances from Board officers, and
- official, relevant Board documentation presented as part of the preparation process for the Governance Statement

The process for collation of information to support the Governance Statement for 2019/20 has been supported with the production of a portfolio of documentation which informs the Accountable Officer and the Audit and Risk Committee on the information that is used to evidence the Governance Statement. This information is being made available for all Board members to access and they will be able to raise any queries on the content with key officers who will be able to respond around the assurances provided in their area.

With the aim of providing a more focussed structure, Executive Directors were asked to consider a checklist covering key areas required to inform the Governance Statement in relation to their particular areas of responsibility. These returns have been completed with varying levels of content with the shorter returns showing no evidence of background information relied upon for completion.

The robustness of this process is undermined where the returns do not capture supporting information. The returns that I have been able to consider against internal audit findings are those that capture an enhanced level of detail.

In previous audits we have made recommendations around the approval process for annual reports that we are placing reliance on for yearend processes such as Risk Management, where these reports should be approved through their respective groups/committees before being passed for assurance purposes. This has been taken on board by these groups although yearend processes have been different this year, and in the absence of certain groups and committees meeting, the approval of these documents has been carried out through virtual means

4. AUDIT ASSURANCES TO SUPPORT THE GOVERNANCE STATEMENT

The Chief Internal Auditor must prepare an Annual Statement of Assurance which provides an opinion on the adequacy and effectiveness of the Board's internal control framework, risk management and governance processes for the financial year 2019/20.

This Statement is prepared based on audit work undertaken and takes into account Director and Committee returns along with the annual Risk Management report.

The Chief Internal Auditor is satisfied that the level of audit coverage over the year has provided a breadth of assurances from which to inform her audit opinion.

As each audit is undertaken, the results are reviewed by the Chief Internal Auditor and the areas of Governance and Best Value that each audit can provide assurance on are noted. This is then mapped into the year-end report which is presented to Audit and Risk Committee.

Audit work which can be identified as evidence in the various governance strands is detailed below along with specific information which has been drawn from the Directors' returns and Committee Assurance statements.

The Committee Assurance Statements follow a similar template and cover areas such as membership, quoracy, attendance and minute approval through Board. There is a comments section which has been used in a range of ways by the respective committee chairs to capture information. The level of detail in these areas varies considerably with some much shorter than others.

Board Governance Framework

Staff Governance

The Workforce Director's assurance return offers examples of arrangements or processes that have been put in place during the course of the year to enable her to discharge her responsibilities as Workforce Director and links these with the corporate risks that she has lead responsibility for.

The return mentions specific challenges in relation to Recruitment and Workforce Sustainability and Legal Claims as well as highlighting the Internal Audit on Workforce reporting systems (eESS) which gave a Limited level of assurance.

The majority of our audits are focussed around processes and not departments or locations therefore there have been a number of audits that have considered, and provided assurances around, Staff Governance processes.

Follow up work has been undertaken on a number of audits from previous years. The Workforce Director has had a number of meetings with Internal Audit to discuss progress on implementing actions and evidence that will be required to close these off. There are currently 2 outstanding actions out of the 9 that are currently open within this area.

Financial Governance

The Director of Finance's return refers to board's statutory and financial duties and the delegated areas of responsibility in relation to the system of internal control.

The return goes on to summarise the various processes around which financial assurances are given.

Audit testing of the key financial systems and processes within NHS Dumfries and Galloway is a significant element of the information that is required to inform the Financial Governance strand within the Statement of Assurance. Audits that have concluded in the last year have included:

- Contract Management - Moderate Assurance
- Payroll - Significant Assurance

Follow up has also concluded or is well progressed on a number of audits with a large number of actions being closed during the course of the year. There are currently 5 outstanding actions within this area. This is an improvement on previous years and reflects the work that has been done in this area.

During 2019/20 we identified no significant weaknesses in the financial control systems we reviewed which would lead to those systems being open to significant abuse or error.

Through implementation of recommendations on previous audits, we are continuing to see more documented procedures and guidance to support the various roles and responsibilities covering financial processes.

Clinical Governance

Clinical Governance is specifically covered within the Healthcare Governance Committee statement. The main focus of the work of the committee, when looking at the schedule of business for the year, is Patient Safety, Quality Improvement, Duty of Candour, feedback from various external performance reviews and learning from adverse incidents. This is consistent with previous years.

Assurance is also provided from the Nurse Director's statement which covers, amongst others, clinical governance, quality of care, risk management and patient safety.

The statement has been jointly signed by the outgoing and current Nurse Directors and does not have any distinction in accountabilities over the course of the year. It would be expected

that the outgoing Nurse Director would have prepared their own statement as has been undertaken when roles have changed previously during the course of the year. This would help to evidence the discharging of professional responsibilities of the Nurse Director role.

Within the Nursing Directorate there are currently 8 open actions, all of which are overdue. These cover a range of audits but relate mostly to Risk Management, Child Protection and Adverse Event Reporting. There needs to be a focussed effort to close these off and further reports will be brought back to Audit and Risk Committee on progress against these.

The Medical Director's statement covers the key areas of Information Governance, Clinical Governance, Primary Care and Pharmacy with narrative around some of the key issues and improvements within these areas during the year, concluding that adequate controls are in place. There are currently 7 open actions within the Medical Directorate, only 1 of which is overdue.

The Chief Operating Officer assurances have been enhanced this year with the introduction of an assurance framework which gains assurance from each of the General Managers within her area around their areas of responsibility. This has been mapped into a summary sheet, which provides a greater level of detail and could be further enhanced by detailing what is required to address the identified gaps in assurance.

Information Governance

Information to inform the Governance Statement in this area normally comes from the Information Assurance Committee (IAC) annual report, however this was stopped for this year as it was felt that quarterly reporting through Audit and Risk Committee would offer the required assurances. At the January 2020 ARC meeting it was flagged that this reporting was not as expected and more robust reports were asked to be brought forward.

The Information Assurance Committee (IAC) was instead requested to provide an assurance statement which details that there is a comprehensive governance structure in relation to assurances delivered around Information Governance. This does not provide the level of detail that previous reports have given.

The Medical Director's role as Senior Information Risk Owner (SIRO) has been recognised in the director's return.

We have reported on two audits specific to Information Assurance:

- IT Security – Moderate Assurance,
- Digital Health – Moderate Assurance

We have also completed an audit on Remote Working which has given a Moderate level of assurance. This audit has flagged up that there is a disparate approach within the Board with IM&T and HR taking on board elements of the process with no overall approach or strategy that staff are guided by.

I can also call upon testing from other audits which have considered information systems and security. Our audit approach is to look at whole processes and this has also looked to gain assurance from the IT systems being used and the levels of control that these offer.

Historically, within the areas of Information Governance and Records Management there have been significant gaps in compliance and without the actioning of audit recommendations there were a number of very high risks that we are not able to evidence that we are managing. This is an area that has improved in year as actions have been

closed. It must be ensured that this focus remains to close off actions or to understand why they remain open and ensure that this reporting is taken through the Information Assurance Committee.

A great deal of support has been provided by Internal Audit to enable closure of actions. Many of these actions could have been implemented a number of years ago, and have now been taken forward as there has been increased scrutiny on Information Governance and Records Management. With the improvements in the workings of the Information Assurance Committee this momentum should continue

Best Value

How the board achieves Best Value is not overtly captured the Directors' or Committee returns, as these mostly reiterate the elements of Best Value rather than detail evidence against this, and therefore cannot be evidenced through this process.

There is however a Best Value Self Assessment which is completed by the Chief Executive and provides a Red/Amber/Green (RAG) rating against each Best Value statement. This provides a majority of Green ratings, although we appear to take assurance from the existence of a committee or a policy without assessing the adequacy or effectiveness of its role in achieving Best Value. There is also no clear reference back to any of the Directors

As with the various governance strands, each audit undertaken is mapped against the principles of Best Value, therefore we build up a picture of where our work provides assurance on these principles. Therefore it can be demonstrated that Best Value is considered at the audit plan approval stage, during the course of each audit and at year-end with this Statement of Assurance.

Risk Management

Three of the returns received from Directors refer to Risk Management in general terms and give various examples to evidence this. The return from the Workforce Director provides an overview of the corporate risks that she is responsible for and the return from the Nurse Director identifies that she has Executive responsibility for Risk.

There is a requirement for an Annual Risk Management report to be prepared. This should include a thorough description of how risk management has been embedded across the organisation. We can confirm that the Board has produced an Annual Risk Management report for this year.

Risk continues to be governed through the Risk Executive Group with a change during the year of the disbanding of the Risk Steering Group and a new Tactical Health, Safety and Risk Group being set up. Minutes of both groups come to Audit and Risk Committee for information.

The Corporate Risk Register is subject to review in year and this year a Covid-19 risk register was created to highlight risks identified at the initial stages of the pandemic. The Board has a Risk Appetite statement which has been due for review for a number of years. Understanding of what this is and how it can be used is not evidence below Board level.

We have completed an audit of Risk Management during 2019/20 which has given a Limited level of assurance and carries 24 recommendations. We are aware that the Risk Management Strategy has been reviewed and with the implementation of the audit recommendations progress should be made moving forward.

Taking all the information contained within the portfolio of evidence into account I am satisfied with the consistency of the evidence which supports the Governance Statement with the information available from the work undertaken within Internal Audit.

5. BASIS OF ASSURANCE

The Chief Internal Auditor opinion is based on the work completed by Internal Audit during the year and is limited to the coverage of the Audit Plan. While all risks and areas of governance may not have been included in the 2018/19 and 2019/20 Plans, we have undertaken sufficient work to provide reasonable assurance that there is an adequate control environment in place.

Our external auditors, Grant Thornton UK LLP, consider the work of internal audit as part of their audit process although they no longer require to place reliance on the work undertaken.

Audit and Risk Committee receive quarterly reports on the outcomes of audits undertaken and are able to request further information as required to enable them to form an opinion on assurances gained through the work of Internal Audit.

We have conducted our audits in accordance with the relevant mandatory Internal Audit Standards in place for NHSScotland during the course of the year. The relevant Standards for 2019/20 are the Public Sector Internal Audit Standards (PSIAS). These were adopted from 1st April 2013 to promote further improvement in the professionalism, quality and effectiveness of Internal Audit and reaffirm the importance of independent and objective internal audit arrangements to provide the Accountable Officer with key assurances needed to support the Governance Statement.

Guidance advises that minor deviations from the PSIAS should be reported to Audit and Risk Committee and more significant deviations should be considered for inclusion in the Governance Statement, with appropriate justification. There have been no such issues requiring disclosure during the course of the year.

6. SUMMARY

Based on our work throughout the year, Internal Audit have concluded that:

- There were adequate and effective internal controls in place throughout the year, and
- The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role,

In addition, we have not advised of any concerns around the following:

- The format and content of the Governance Statement in relation to the relevant guidance,
- The process adopted in reviewing the effectiveness of the system of internal control and how these are reflected,
- Consistency of the Governance Statement with the information that we are aware of from our work, or
- The disclosure of relevant issues, where the Chief Internal Auditor was advised a disclosure was to be made around the Risk Management Limited Assurance audit

The 2019/20 Internal Audit plan has been delivered in line with the Public Sector Internal Audit Standards.

To conclude, we are satisfied with the consistency of the evidence which supports the Governance Statement with the information available from the work undertaken within Internal Audit.