

AUDIT CHARTER

Introduction

Public Sector Internal Audit Standards (PSIAS) require each organisation to agree an Audit Charter which is updated annually following approval by the Board, in this case through the Audit and Risk Committee. This Charter is complementary to the relevant provisions included in the organisation's Code of Corporate Governance and the Shared Service Agreement and Service Specification with FTF Audit (SSA).

The terms 'Board' and 'senior management' are required to be defined under PSIAS and therefore have the following meaning in this Charter:

- Board means the Board of the relevant NHS Client Region with responsibility to direct and oversee the activities and management of the organisation. The Board has delegated authority to the Audit and Risk Committee in terms of providing a reporting interface with internal audit activity; and
- Senior Management means the Chief Executive as the designated Accountable Officer for the relevant NHS Client Region. Interface with internal audit activity is through the Director of Finance.
- FTF are the Internal Auditors for the relevant NHS Client Region.

Purpose and responsibility

Internal audit is an independent, objective assurance and consulting function designed to add value and improve the operations of the relevant NHS Client Region. Internal audit helps the organisation accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes." Its mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. (See Appendix 1 for FTF Mission Statement).

Internal Audit is responsible for providing an independent and objective assurance opinion to the Accountable Officer, the Board and the Audit and Risk Committee on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. In addition, internal audit's findings and recommendations are beneficial to management in securing improvement in the audited areas.

The Shared Services Agreement and associated Service Specification with FTF set out their specific responsibilities as Internal Auditors to the relevant NHS Client Region.

Independence and Objectivity

Audit independence as described in the PSIAS is the freedom from conditions that threaten the ability of the internal audit activity to carry out audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the Chief Internal Auditor (CIA) will have direct and unrestricted access to the Board and Senior Management, in particular the Chair of the Audit and Risk Committee and Accountable Officer.

Organisational independence is effectively achieved when the auditor reports functionally to the Audit and Risk Committee on behalf of the Board. Such functional reporting includes the Audit and Risk Committee:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- receiving outcomes of all internal audit work together with the assurance rating; and
- reviewing internal audit activity's performance relative to its plan.

Whilst maintaining effective liaison and communication with the organisation, as provided in this Charter, all internal audit activities shall remain free of untoward influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective attitude necessary in rendering reports.

Internal Auditors shall have no executive or direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be subject to Internal Audit.

This Charter makes appropriate arrangements to secure the objectivity and independence of internal audit as required under the standards. In addition, the shared service model of provision across FTF provides further organisational independence.

The Specification for Internal Audit Services sets out the operational independence of FTF as internal auditors to the relevant NHS Client Region. In particular it states *'FTF may be called upon to provide advice on controls and related matters, subject to the need to maintain objectivity and to consider resource constraints. Normally FTF will have no executive role nor will it have any responsibility for the development, implementation, or operation of systems. Any internal audit input to systems development work will be undertaken as specific assignments. To preserve independence and objectivity, any such involvement in systems development activities will be restricted to the provision of advice and supporting management to ensure key areas in respect of control are addressed.'*

FTF have controls in place to ensure compliance with the relevant aspects of the PSIAS and the wider requirement to conform with NHSScotland standards of conduct regulations.

Appointment of CIA and Internal Audit Staff, Professionalism, Skills & Experience

Under s5.1 of the Specification NHS Fife, as the host body, is responsible for appointing a CIA who (Spec s12.6) is a member of CCAB Institute or CMIIA with experience equivalent to at least five years post-qualification experience and at least three years of audit.

The Specification also sets out the required qualified skill-mix as well as specifying the responsibility of FTF to ensure staff are suitably trained with appropriate skills, recorded in a Personal Development Plan and where relevant fulfilling professional continual professional development requirements

Authority and Accountability

Internal Audit derives its authority from the NHS Board, the Accountable Officer and Audit and Risk Committee and the relevant provisions included in the organisation's Code of Corporate Governance.

The Chief Internal Auditor leads FTF and assigns a Regional Audit Manager the relevant NHS Client Region. For line management (e.g. individual performance) and professional quality purposes (e.g. compliance with the PSIAS), the Regional Audit Managers report to the Chief Internal Auditor.

The Chief Internal Auditor reports on a functional basis to the Accountable Officer and to the Audit and Risk Committee on behalf of the Board. Accordingly the Chief Internal Auditor has a direct right of access to the Accountable Officer, the Chair of the Audit and Risk Committee and the Chair of the Health Board if deemed necessary.

The Audit and Risk Committee approves all Internal Audit plans and may review any aspect of its work. The Audit and Risk Committee also has regular private meetings with the Internal and External Audit teams and its remit requires it to *'To ensure that there is direct contact between the Audit and Risk Committee and Internal Audit and to meet with the Chief Internal Auditor at least once per year and, as required (scheduled within the timetable of business), without the presence of Executive Directors'*.

To facilitate its assessment of governance within the organisation, Internal Audit is granted access to attend meetings of the Board and any committee or sub-committee of the Board charged with aspects of governance. This includes access the minutes and papers of open and closed meeting sessions.

Relationships

The Chief Internal Auditor and Regional Audit Manager will liaise with the Director of Finance (or a nominated deputy) as the executive lead for internal audit.

Internal Audit will work closely with the relevant NHS Client Region Executive Directors Group or equivalent in planning its work programme. Audit work will be planned in conjunction with management, particularly in respect of the timing of audit work.

Internal Audit will meet regularly with the external auditor to consult on audit plans, discuss matters of mutual interest, discuss common understanding of audit techniques, method, and terminology, and to seek opportunities for co-operation in the conduct of audit work.

Internal Audit strives to add value to the organisation's processes and help improve its systems and services. To support this Internal Audit will obtain an understanding of the organisation and its activities, encourage two way communications between internal audit and operational staff, discuss the audit approach and seek feedback on work undertaken.

The Audit and Risk Committee is the final reporting line for all audit reports and where it is appropriate for a report to be shared with another Governance / Standing Committee, this will be included on the audit assignment plan.

Standards, Ethics, and Performance

Internal Audit must comply with the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Institute of Internal Auditors Definition of Internal Auditing.

Internal Audit will operate in accordance with the Shared Services Agreement and associated performance standards agreed with the Partnership Board. The Shared Services Agreement includes a number of Key Performance Indicators to be reported to Audit and Risk Committee meeting as part of the Internal Audit Progress report and within the Annual Report.

Scope

Internal Audit evaluates the adequacy and effectiveness of the organisation's governance, risk management arrangements, system of internal control, and the quality of performance. It includes but is not limited to:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures, laws, and regulations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Reviewing and appraising the economy and efficiency with which resources are employed, this may include benchmarking and sharing of best practice;
- Reviewing operations or programmes to ascertain whether results are consistent with the organisation's objectives and goals and whether the operations or programmes are being carried out as planned;
- Reviewing specific operations at the request of the Audit and Risk Committee or management;
- Monitoring and evaluating the effectiveness of the organisation's risk management arrangements and the overall system of assurance (see below);
- Ensuring effective co-ordination, as appropriate, with external auditors; and
- Reviewing the Annual Governance Statement prepared by senior management.

Internal Audit will devote particular attention to any aspects of the risk management, internal control and governance arrangements affected by material changes to the organisation's risk environment.

If the Chief Internal Auditor or the Audit and Risk Committee consider that the level of audit resources or the Charter in any way limit the scope of Internal Audit or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they will advise the Accountable Officer and Board accordingly.

Risk Management

Internal Audit will liaise with both the Audit and Risk Committee and senior management to discuss the alignment of audit priorities to strategic and emerging risks.

Each year an annual overview of risk management arrangements will be undertaken by FTF through the Internal Control Evaluation and Annual Report.

Through specific audits Internal Audit will also review the risk management systems, associated controls, assurance processes and functions, and test the operation of controls.

Appropriate communication with the risk management function will be maintained, including provision of all audit reports and regular meetings with risk managers.

Reporting arrangements including Key Performance Indicators

Arrangements for reporting and following up individual assignments are contained within the reporting and follow-up protocols approved by the Audit and Risk Committee.

The Specification states that *'The principal report to be produced by Internal Audit will be the Annual Audit Report for each audit year. This needs to be prepared in time for submission to the Audit and Risk Committee not later than the target date specified in Appendix I in order to provide the assurance required in considering the Board's Annual Accounts.'*

The Annual Audit Report should contain:

- *An opinion on whether:*
 - ✧ *Based on the work undertaken, there were adequate and effective internal controls in place throughout the year;*
 - ✧ *The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role;*
 - ✧ *The Internal Audit plan has been delivered in line with PSIAS*
- *analysis of any changes in control requirements during the year.*
- *comment on the key elements of the control environment.*
- *summary of performance against this service specification.*
- *progress in delivering the Quality Assurance Improvement Programme.*

The Specification sets out the key performance indicators to be used by Internal Audit and requires that they be reported in full within the Annual Internal Audit Report and to the Audit and Risk Committee as part of the Internal Audit Progress report.

Assurances provided to parties outside the organisation;

Internal Audit will not provide assurance on activities undertaken by the relevant NHS Client Region to outside parties without specific instruction from the relevant NHS Client Region or as per the approved output sharing protocol.

Approach

To ensure delivery of its scope and objectives in accordance with the Charter, Internal Audit has produced a suite of working practice documents.

Access and Confidentiality

Internal Audit shall have the authority to access all the organisation's information, documents, records, assets, personnel, and premises that it considers necessary to fulfil its role. This shall extend to the resources of third parties that provide services on behalf of the organisation. The relevant NHS Client Region Standing Financial Instructions all state that *'The Chief Internal Auditor is entitled without necessarily giving prior notice to require and receive:*

- a) *Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature (in which case they shall have a duty to safeguard that confidentiality), within the confines of the data protection act.*
- b) *Access at all reasonable times to any land, premises or employees of the Board;*
- c) *The production or identification by any employee of any cash, stores or other property of the Board under an employee's control; and*
- d) *Explanations concerning any matter under investigation.*

All information obtained during the course of an audit review will be regarded as strictly confidential to the organisation and shall not be divulged to any third party without the prior permission of the Accountable Officer. S6.6 of the SSA sets out those circumstances in which reports and working papers will be shared with the statutory External Auditors and the application of the Freedom of Information (Scotland) Act 2002.

Where there is a request to share information amongst the NHS bodies, for example to promote good practice and learning, then permission will be sought from the Director of Finance before any information is shared.

Irregularities, Fraud & Corruption

It is the responsibility of management to maintain systems that ensure the organisation's resources are utilised in the manner and on activities intended. This includes the responsibility for the prevention and detection of fraud and other illegal acts.

Internal Audit shall not be relied upon to detect fraud or other irregularities. However, Internal Audit will give due regard to the possibility of fraud and other irregularities in work undertaken. Additionally, Internal Audit shall seek to identify weaknesses in control that could permit fraud or irregularity.

If Internal Audit discovers suspicion or evidence of fraud or irregularity, this will immediately be reported to the organisation's Fraud Liaison Officer in accordance with the organisation's Counter Fraud Policy & Fraud Response Plan and with S10 of the SSA.

Quality Assurance

S7 of the Specification requires that *'the Chief Internal Auditor shall be responsible for the preparation and maintenance of quality processes which maintain and record the operational procedures and quality standards of the Service, and which are compliant with PSIAS.'*

The Chief Internal Auditor has established a quality assurance programme designed to give assurance through internal and external review that the work of Internal Audit is compliant with the PSIAS and to achieve its objectives. A commentary on compliance against PSIAS will be provided in the Annual Internal Audit Report.

Resolving Concerns

S5.2 of the Specification states that *'The Chief Internal Auditor will also be responsible for monitoring the contract and will therefore be the Agreement Control Officer performing the additional quality, performance measurement and liaison activities. S7 of the SSA states that 'The Chief Internal Auditor shall be available to meet with the Client Director of Finance or nominated representative whenever required and at least bi-annually to discuss the services. Any issues should be raised with the Chief Internal Auditor in the first instance.'*

If the matter is not resolved to the satisfaction of the Client, then it shall be presented to the next available meeting of the Partnership Board for resolution by majority vote.'

Review of the Internal Audit Charter

This Internal Audit Charter shall be reviewed annually and approved by the Audit and Risk Committee.

Date: February 2024

Date of next review: February 2025

Mission and values

The purpose of the internal audit function has been defined within the PSIAS (PSIAS). FTF, following discussion with internal audit staff and the Partnership Board has developed a mission and vision statement which incorporates this definition as well as additional elements reflecting our way of delivering the audit function as follows:

WORKING TOGETHER TO PROVIDE ASSURANCE AND ADD VALUE

We achieve this by following the PSIAS:

*“Internal Audit 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”.*

We work with our clients to provide an excellent service by understanding their values, their objectives and risks and the environment in which they operate. We value and listen to our staff and ensure that they have the skills and knowledge they require to help us to succeed, continuously assessing and improving the service we provide.

APPENDIX 2

Specification for Internal Audit Services

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1. Introduction

This document sets out a specification for the Internal Audit requirements of the Client. The specification is for a total Internal Audit Service to the Client organisation over the period 1 April 2024 to 31 March 2027.

- 1.1 FTF will agree to deliver the Internal Audit Service in accordance with the provisions set out in this specification.
- 1.2 Either party shall be entitled to terminate the Agreement for the Internal Audit Service. Prior to the termination of the Agreement both parties must follow any agreed management arrangements relating to termination. These arrangements will be agreed prior to the start of the Agreement and will include the period of notice to be given. Arrangements are set out in the Consortium Shared Services Agreement.
- 1.3 It is the duty of FTF to provide the Internal Audit Service to a standard that is acceptable to the Director of Finance and the Audit and Risk Committee, and that is
- 1.4 FTF and its staff will maintain confidentiality and shall not disclose, except as required by law, to any person other than a person authorised by the Client, any information acquired by FTF staff in connection with the provision of the Internal Audit Service concerning:
 - ✧ the organisation or its directors and officers;
 - ✧ patient identity;
 - ✧ medical condition of/treatment received by patients
- 1.5 Subject to the availability of resources, FTF and its staff shall co-operate and respond to reasonable requests or give support in situations.
- 1.6 FTF shall comply with the PSIAS.

2. Internal Audit Responsibilities

- 2.1 Within the organisation, responsibility for internal control rests fully with management to ensure that appropriate and adequate arrangements are established. FTF will be responsible for conducting an independent appraisal and giving assurance to the Audit and Risk Committee on internal control arrangements.
- 2.2 FTF will be responsible for obtaining relevant, reliable and sufficient audit evidence in order to provide an opinion to the client on the adequacy and effectiveness of internal controls. FTF will also assist management by evaluating and reporting to them on the effectiveness of the controls.
- 2.3 FTF will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas and will seek to confirm that management have taken the necessary steps to achieve these objectives.
- 2.4 In order to provide the required assurance, FTF will evaluate the controls that management have established to ensure that:
 - ✧ the organisation's objectives are achieved
 - ✧ there is economical and efficient use of resources
 - ✧ risks are adequately and effectively identified, recorded and managed
 - ✧ there is compliance with established policies, procedures, laws and regulations
 - ✧ assets belonging or entrusted to the organisation are properly controlled and safeguarded from losses of all kinds, including those arising from fraud, irregularity, or corruption
 - ✧ there is integrity and reliability of information and data provided to management including that used in decision making

- ✧ the organisation's interests are protected with regard to any contractual arrangements entered into
- ✧ the controls over information technology applications and installations are sufficient in quality and comply with recommended standards.

2.5 FTF may be called upon to provide advice on controls and related matters, subject to the need to maintain objectivity and to consider resource constraints. Normally FTF will have no executive role nor will it have any responsibility for the development, implementation, or operation of systems. Any internal audit input to systems development work will be undertaken as specific assignments. To preserve independence and objectivity, any such involvement in systems development, Internal Audit's role will be restricted to the provision of advice and supporting management to ensure key areas in respect of control and risk are addressed.

2.6 It will not be within FTF's remit to question the appropriateness of policy decisions. However, FTF may draw to the attention of the Audit & Risk Committee instances where there are illegal acts or contraventions of Standing Orders, Standing Financial Instructions or Statutory Powers and Regulations. FTF may also examine the management arrangements for making, monitoring, and reviewing all such policy decisions.

3. Internal Audit Standards

3.1 FTF shall comply with PSIAS and report on its compliance to the Audit and Risk Committee as part of the Annual Internal Audit Report. FTF shall maintain a system to ensure compliance with PSIAS and shall adhere to an agreed timetable for undertaking and reporting external quality assessment / validated self-assessment.

4. Planning

4.1 The senior management team shall consider the findings of the most recent Internal Control Evaluation together with the Strategic Risk Register and advise Internal Audit of key topics they wish to be considered for inclusion in the Internal Audit Plan for the following financial year.

4.2 Internal Audit shall then prepare a strategic and annual audit plan based on the Strategic Risk Register and independent assurances available from other sources. In order to ensure coverage of all key controls, Internal Audit will undertake a risk assessment, of the organisation and the NHS control framework.

4.3 Audit plans will then be prepared by FTF, agreed with the Director of Finance prior to submission to the Senior Management Team and to the Audit and Risk Committee for approval. The approved plan will be shared with external audit.

4.4 The Strategic Audit Plan and Annual Audit Plan should separately identify any special investigations and should also include a provision for contingencies.

4.5 The Annual Internal Audit Plan will be kept under review and any required amendments in response to emerging risks or other factors will be discussed with the Director of Finance before approval by the Audit and Risk Committee.

Strategic Audit Plan

4.5 The Strategic Audit Plan should cover the period agreed by the Director of Finance and Audit and Risk Committee. The plan should usually incorporate a rotation of audit emphasis to form a cyclical approach.

There are a number of areas within the audit universe which need to be reviewed annually. These may include:

- ✧ Core Financial systems
- ✧ Reviews targeting high risk fraud/probity areas through proactive CFS liaison
- ✧ Management of significant projects
- ✧ Post-transaction Monitoring

The Strategic and Annual Plans will be presented by the Chief Internal Auditor for formal approval by the Audit and Risk Committee by 30 June. The Strategic Plan should be updated annually to inform the Annual Audit Plan.

Annual Audit Plan

4.6 The Chief Internal Auditor will submit to the Audit and Risk Committee an Annual Audit Plan, which should reflect the audit coverage identified in the Strategic Audit Plan. The Annual Audit Plan should set out the planned scope of audit work and should identify the critical areas to be covered and resources required in each project.

Audit Assignment Plans

4.7 An assignment plan should be produced for each audit and agreed with the relevant Director and Director of Finance. The assignment plans will identify the following:

- ✧ Job number and title
- ✧ Relevant Corporate/operational risks
- ✧ Relevant Director and responding officer
- ✧ Audit staff
- ✧ Start date and planned number of audit days required
- ✧ Scope, control objectives and other instructions
- ✧ Target draft report date and target Audit & Risk Committee
- ✧ Standing Committee report to be considered by.

5. Managing Audit Work

5.1 The relevant NHS Client Region shall appoint a person to be the Chief Internal Auditor. The Chief Internal Auditor will be responsible for managing and undertaking specified audit tasks to appropriate quality and other work standards. This includes management of internal audit staff and resources. The tasks will be based on the Annual Audit Plan approved by the Client Audit and Risk Committee. That Committee will consider any significant changes to the scope or duration of assignments.

5.2 The Chief Internal Auditor will also be responsible for monitoring the contract and will therefore be the Agreement Control Officer performing the additional quality, performance measurement and liaison activities. The Chief Internal Auditor shall be available to meet with the Director of Finance whenever required and at least bi-annually to discuss the service.

5.3 The Regional Audit Manager will be expected to be available to attend meetings with the Director of Finance at least monthly and as required, to discuss the progress of individual projects. The Regional Audit Manager will be the Internal Audit point of contact for any other bodies, internal or external, such as the external auditor.

5.4 The Audit and Risk Committee and Director of Finance must endeavour to ensure management's perspective of internal audit is positive and that a participative approach is adopted. Therefore FTF will be expected to actively involve and keep auditees informed during all stages of audit assignments. This is particularly crucial during the testing and evaluation stages when it would be more appropriate to inform management of the emerging findings where these are significant rather than wait and produce the findings in a report at a later date. The circumstances where this approach would be appropriate would be:

- ✧ where there may be a material loss to the organisation unless action is taken quickly
- ✧ where there is a serious breach of law/regulations.

There will be occasions when this approach is not however appropriate (i.e. where fraud or irregularities are suspected) and involvement of the Director of Finance must be sought (see s11).

5.5 The Chief Internal Auditor is responsible for delivering an economic and efficient quality audit and ensuring that the internal audit service is delivered according to the terms of this specification. The Chief Internal Auditor's responsibility broadly encompasses the following areas:

- ✧ Planning logical and comprehensive coverage that reflects the agreed degree of risk associated with each system
- ✧ Identifying and selecting resources and funding
- ✧ Monitoring delivery and quality assuring the products including compliance with PSIAS
- ✧ Promoting the work of Internal Audit and the Audit & Risk Committee as a contribution to the control environment within the organisation
- ✧ Audit reporting
- ✧ Attendance at Audit and Risk Committees as appropriate and to present the Strategic Plan, Internal Control Evaluation and Annual report
- ✧ Promoting the Internal Audit Service to members and officers
- ✧ Managing and risk assessing requests for unplanned work

5.6 In addition the Chief Internal Auditor will have managerial and personnel responsibilities for Internal Audit staff.

6. Reporting

6.1 The main purpose of Internal Audit reports is to provide management and the Audit and Risk Committee with information on significant audit findings, conclusions, and recommendations. For full Internal Audit reviews of systems carried out as part of the identified Annual Audit Plan, Internal Audit will provide an opinion on the adequacy of internal controls within the system, except where specified within the reporting protocol e.g. Financial Process Compliance, or reviews of known areas of weakness as requested by management etc.

6.2 The aim of every internal report should be to:

- ✧ define the scope and objectives of the work carried out
- ✧ provide a formal record of issues and recommendations arising from the internal audit assignments and, where appropriate, of agreements reached with management
- ✧ detail the management action to improve performance and control

6.3 In addition, Internal Audit should provide the Director of Finance and Audit and Risk Committee with regular reports on progress.

- 6.4 The Audit and Risk Committee should approve a formal follow-up protocol for ensuring that agreed Internal Audit recommendations have been actioned by management. This is incorporated as Appendix III to this Specification.
- 6.5 The Chief Internal Auditor should ensure that reports are sent to managers who have a direct responsibility for the activity being audited and who have the authority to take action on the subsequent internal audit recommendations.
- 6.6 The distribution of reports by Internal Audit should be restricted to those individuals who need the information including members of the Audit and Risk Committee and the appointed external auditors. Except as required by law or as agreed within an approved output sharing protocol with Integration Joint Board (IJB) partners, documents should not be divulged to any other third party without the written express permission of the Director of Finance and/or Audit and Risk Committee.

Individual Audit Project Reporting

- 6.7 For each audit, the Internal Auditor shall prepare and submit a draft report of findings in a form agreed by the Audit and Risk Committee and Director of Finance. The reporting protocol shall be approved by the Audit and Risk Committee and incorporated as Appendix II to this document and shall include target timescales for issue and responding to Internal Audit reports.

Annual Audit Reporting

- 6.8 The principal reports to be produced by Internal Audit will be the Internal Control Evaluation (ICE) and the Annual Internal Audit Report for each audit year. The ICE is normally presented to the January Audit and Risk Committee and the Annual Internal Audit Report needs to be prepared in time for submission to the Audit and Risk Committee not later than the target date specified in Appendix I following the end of the audit period. The Annual Internal Audit Report should contain:

- ◇ An opinion on whether:
 - ◇ Based on the work undertaken, there were adequate and effective internal controls in place throughout the year
 - ◇ The Accountable Officer has implemented a governance framework in line with required guidance sufficient to discharge the responsibilities of this role
- ◇ The Internal Audit plan has been delivered in line with PSIAS
- ◇ analysis of any changes in control requirements during the year
- ◇ comment on the key elements of the control environment
- ◇ summary of performance against this service specification
- ◇ progress in delivering the Quality Assurance Improvement Programme.

The summary of performance will include details of staffing and skill mix in addition to the other performance measures outlined in Appendix I

Progress reporting

- 6.9 The Director of Finance will receive regular progress reports, together with the FTF Balanced Scorecard specific to the Client detailing progress against the agreed Annual Audit Plan together with notification of any significant breaches of the timescales within the approved reporting protocol.

Progress reports will also be presented to each Audit and Risk Committee in a format agreed with the Client.

7. Quality Control and Quality Measurements

- 7.1 The Chief Internal Auditor will be held accountable by the Audit and Risk Committee for performance and is therefore responsible for ensuring quality standards are defined, agreed, monitored and reported. These aspects of quality should be enshrined in the Performance Measures, shown in Appendix 1 and reported within the Annual Internal Audit Report.
- 7.2 The Chief Internal Auditor shall continuously review the performance of each region and use this review to inform the bi-annual discussion with the Client Director of Finance.
- 7.3 The Chief Internal Auditor shall be responsible for the preparation and maintenance of quality processes which maintain and record the operational procedures and quality standards of the Service and which are compliant with PSIAS.
- 7.4 FTF shall report compliance with the PSIAS within the Annual Internal Audit Report, including the outcomes of any External Quality Assessments / Validated Self-Assessments and progress in implementing any required actions. See also the provisions in 3.1 above.

Client Satisfaction Survey

- 7.5 A questionnaire will be issued to key contacts at the end of each audit review in a format agreed with the Director of Finance. The Chief Internal Auditor shall review these surveys, investigate any matters of concern and take appropriate remedial action where required. The results of the surveys should be reported annually to the Audit and Risk Committee within the Annual Internal Audit Report.
- 7.6 In addition, the Chief Internal Auditor will seek to ascertain the views of the Audit and Risk Committee and Board Members in relation to the quality of the service. This will be achieved through discussion with the Director of Finance, and through the offer of availability for meetings with the Audit and Risk Committee Chair and Board Chair.

8. Liaison with External Audit

- 8.1 The Public Finance and Accountability (Scotland) Act, provides for the accounts of Health Bodies to be audited by auditors appointed by Audit Scotland.
- 8.2 FTF will be expected to maintain a close working relationship with the Statutory Auditors on matters of mutual interest and to provide them with copies of all formal internal audit reports. The Statutory Auditor will be allowed access on request to internal audit working papers.

9. Best Value Reviews

- 9.1 The Scottish Public Finance Manual states that responsibility for Best Value rests with the Accountable Officer. It is the responsibility of the Internal Auditor, as part of the general review of systems of internal control, to review, appraise and report to management the extent to which the organisation's assets and interests are accounted for and safeguarded against losses of all kinds arising from fraud and other offences, waste, extravagance and inefficient administration, poor value for money or other cause. This will include review of the Best Value Framework, undertaken as part of the Annual Report fieldwork.
- 9.2 Identification of cost savings will be a consideration in every audit.

10. Suspected Criminal Offences

- 10.1 CEL (2013)11, an update of CEL (2008) 03 “Strategy to Combat Financial Crime in NHS Scotland” sets out further requirements on Boards and the requirements of the Bribery Act (2010) need to be met. Whilst the key messages from CEL 11 (2013) remain relevant, the introduction of the Counter Fraud Strategy 2023-26 and the Counter Fraud will assess how effectively Health Boards tackle fraud, bribery and corruption.
- 10.2 Where the Client wishes to nominate the Internal Audit Service to fulfil the Fraud Liaison Officer (FLO)/Deputy FLO responsibilities as set out in the Fraud Action Plan and Partnership agreement, the contingency reserve shall be adjusted accordingly to reflect this increased responsibility.
- 10.3 The audit universe shall include the arrangements for complying with relevant HDL/CELS and CFS Standards, for responding to suspected criminal offences and for liaising with the CFS as appropriate.

11. Freedom of Information

- 11.1 The relevant NHS Client Region is subject to the Freedom of Information (Scotland) Act 2002 (the Act).
- 11.2 As part of our duties under the Act, the Board may publish some of the information clients provide to us in its Freedom of Information publication scheme. The Board may disclose information to anyone who makes a request.
- 11.3 In all cases, wherever a request for information is received, the Client’s nominated Freedom of Information contact point shall be notified in sufficient time to allow an informed decision to be reached without compromising our ability to comply with the timescales set out in the Act.
- 11.4 If the Client considers that any of the information supplied to us should not be disclosed due to its sensitivity then this should be stated giving reasons for withholding it. FTF will consult with the Client and have regard to its comments or stated reasons for withholding information.

12. Staffing

- 12.1 The anticipated total number of audit days required per annum to carry out the Internal Audit Service for each client is set out in the Shared Service Agreement.
- 12.2 FTF shall allocate a sufficient number of employees, sufficiently qualified and experienced to ensure the Internal Audit Service is provided at all times and in all respects to this specification.
- 12.3 FTF shall ensure that every person employed or contracted by FTF is at all times properly and sufficiently trained and instructed with regard to:
- ✧ all relevant provisions of this specification
 - ✧ all relevant rules, procedures, and standards of the organisation
 - ✧ security
 - ✧ patient confidentiality and relevant aspects of Information Governance
- 12.4 The Chief Internal Auditor should co-ordinate and keep under review the continuing training requirements of all staff and report on these as part of the Balanced Scorecard.
- 12.5 For the purposes of this paragraph, staff are categorised as follows:
- Chief Internal Auditor:** member of CCAB Institute or CMIIA with experience equivalent to at least five years post-qualification experience and three years audit experience

Qualified: member of a CCAB Institute, the Institute of Internal Auditors or an alternative qualification agreed with the Director of Finance including specialist support e.g. computer audit (ITAC etc.) and Risk Management.

Non-Qualified Auditors: appropriately skilled staff including those training towards CCAB or IIA or an appropriate alternative qualification.

FTF shall maintain the skill mix of staff outlined in Appendix IV. Performance against this specified skill mix should be reported within the Annual Internal Audit Report.

12.6 FTF shall be required to keep records detailing actual time spent on each audit and the name and qualification of staff. Only time spent working exclusively on the performance of the services and associated travelling time shall be chargeable.

12.7 The relevant NHS Client Region shall be entirely responsible for the employment and conditions of service of FTF staff and FTF will be responsible for ensuring that:

- ✧ there are sufficient staff employed at the appropriate levels to fulfil the terms of the Shared Service Agreement

INTERNAL AUDIT SPECIFICATION

PERFORMANCE MEASURES

The following performance measures shall be monitored by FTF, reported to the Client Director of Finance bi-annually and included within the Annual Internal Audit Report, with comparative figures for the previous year.

	Planning		Target
1	Strategic/Annual Plan presented to Audit & Risk Committee by June 30	Yes/No	Yes
2	Annual Internal Audit Report presented to Audit & Risk Committee by June 30	Yes/No	Yes
3	Audit assignment plans for planned audits issued to the responsible Director before commencement of audit fieldwork.	%	75%
Delivery			
4	Draft reports issued within 2 weeks of fieldwork completion / exit meeting	%	75%
5	Draft reports issued by target date	%	75%
6	Responses received from client within timescale defined in reporting protocol	%	75%
7	Final reports presented to target Audit & Risk Committee	%	75%
8	Number of days delivered against plan	%	100% at year-end
9	Number of audits delivered to planned number of days (within 10%)	%	75%
10	Number of products delivered against plan at year end	%	75%
11	Percentage of audits that directly relate to a strategic risk	%	75%
12	Skill mix	%	50%
13	Staff provision by category	Pie chart	As per SSA/Spec
Effectiveness			
14	Client satisfaction surveys	Bar chart	Average score of 3

INTERNAL AUDIT SPECIFICATION

INTERNAL AUDIT REPORTING PROTOCOL & FLOWCHART

1. The timings for each stage are detailed in the table below.
2. Responsible Directors are designated as being responsible for liaising with Internal Audit within specified areas, consistent with the Scheme of Delegation.
3. Internal Audit contact the Responsible Director to request that they review and approve the Assignment Plan and to ascertain if the Responsible Director or a nominated operational manager within the directorate (the Responding Officer) will clear the draft report.
4. The Responsible Director confirms agreement of the assignment plan by e-mail prior to the commencement of the audit, and it is copied to the Director of Finance as Lead Officer for the Audit and Risk Committee.
5. At the end of audit fieldwork, the summary of findings is discussed and agreed with the appropriate staff, including the Responding Officer. If the audit findings relate to the work of any other department or have an impact on any other departments, an appropriate senior officer from within that area will be consulted on the summary of findings. For example, where the report narrative or recommendations have a financial implication or comment on the work of the Finance Department, the Director of Finance or Assistant/Deputy Director of Finance will be consulted and included in the distribution of the first draft of the report.
6. Following Regional Audit Manager and/or Chief Internal Auditor review, a draft report is issued to the officer nominated to clear the draft report i.e. the Responsible Director or Responding Officer identified at step 2. In the covering e-mail the nominated officer is asked to confirm the factual accuracy of the report and provide formal management responses to the recommendations within the report in compliance with the timelines within the reporting protocol.
7. Following discussions with the Responding Officer/Responsible Director, management responses are recorded and line management responsibilities determined together with a timeframe for action. It is the responsibility of the Responding Officer/Responsible Director to ensure that the response reflects the official position of the Directorate and to obtain responses from any other relevant officers.
8. The Directorate response to the draft report is then issued to the Director of Finance for clearance and copied to the Responding Officer and Responsible Director so that they can confirm that their response has been recorded accurately.
9. Following clearance by the Director of Finance the final report is formally issued by Internal Audit to all officers on the distribution list, including External Audit.
10. Audit and Risk Committee members receive the Internal Audit reports as they are finalised by the FTF Office Manager, and a summary is provided as an appendix to the progress report issued by the Regional Audit Manager for the next Audit and Risk Committee.
11. The recommendations will be added to the AFU System by Internal Audit and progress on implementation of appropriate action reported to the Audit and Risk Committee.
12. All final audit reports may be presented to the Executive Directors Group or equivalent, relevant Standing Committee and, where appropriate, the relevant IJB Audit Committee.

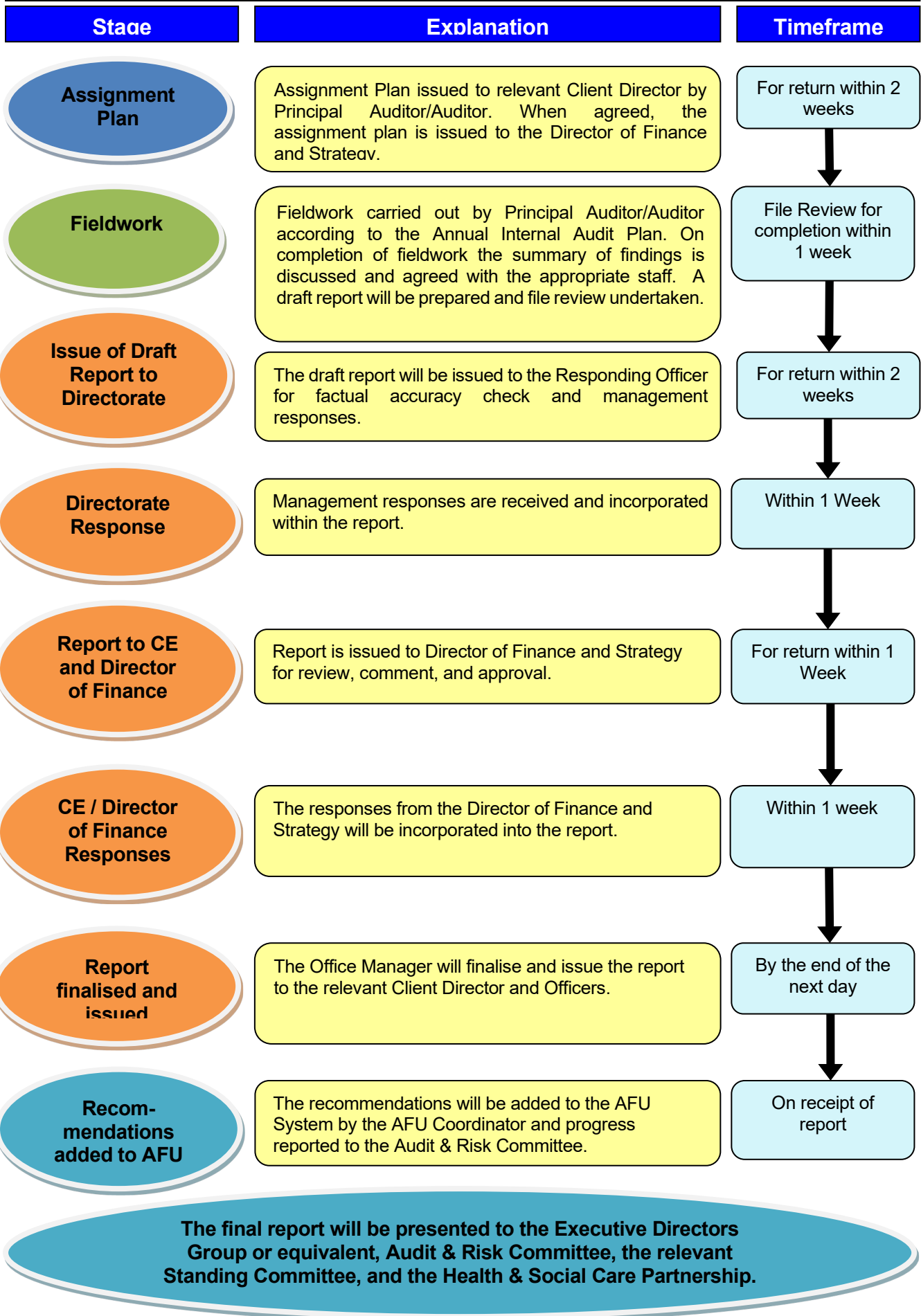
Dispute resolution

13. In the event of a failure to receive a timely response from the Responsible Director in relation to a draft report or assignment plan, or to reach agreement on a fundamental recommendation, the matter will be referred to the Director of Finance and Strategy and, if necessary, to the Chief Executive.

Assignment Milestone	Stage	Processes involved	Responsibilities	Response time
	Annual Audit Plan agreed	Formulated from Strategic Audit Plan for agreement by Audit & Risk Committee.	Regional Audit Manager / Chief Internal Auditor with Director of Finance.	
1	Assignment Plan agreed	Terms of reference for the assignment agreed with Responsible Director and / or Responding Officer.	Regional Audit Manager with Responding Officer / Responsible Director.	Within 2 weeks of issue.
2	Fieldwork commenced	Audit team conduct audit assignment in accordance with Assignment Plan.	Principal / Auditor with co-operation of Client operational staff.	
3	Fieldwork completed	Audit findings evaluated and summary of findings discussed and agreed with appropriate staff, including the Responding Officer. If the audit findings relate to the work of any other department or have an impact on any other departments, an appropriate senior officer from within that area will be consulted on the summary of findings. Draft report prepared for review.	Principal / Auditor in discussion with operational staff prior to Regional Audit Manager review.	Within 1 week of fieldwork end.
4	Draft report issued to Directorate	Audit report issued to Directorate in draft for review and consideration of action plans. If audit findings relate to the work of any other department or have an impact on any other departments, an appropriate senior officer from within that area should be consulted on the report content.	Regional Audit Manager with Principal/ Auditor to Responding Officer/ Responsible Director.	Within 2 weeks of fieldwork end.
5	Directorate response	Formal response required from Directorate to include completed time bound action plan matrix.	Responding Officer with agreement of Responsible Director.	Within 2 weeks of draft report release.

Assignment Milestone	Stage	Processes involved	Responsibilities	Response time
6	Report issued to Director of Finance and Strategy	Audit report reviewed for clearance.	Regional Audit Manager	Within 1 week of Directorate response.
			Director of Finance / Responding Officer/ Responsible Director	Within 1 week of receiving report.
7	Final Report released	Report issued in full to relevant officers and External Auditor.	Regional Audit Manager / FTF Office Manager to Director of Finance and Strategy, Responding Officer, and Chief Executive.	Within 1 week of Director of Finance clearance.

Flowchart



INTERNAL AUDIT SPECIFICATION
FOLLOW-UP OF AGREED INTERNAL AUDIT RECOMMENDATIONS
[HYPERLINK / TO LOCAL POLICY](#)

**INTERNAL AUDIT SPECIFICATION
AUDIT SERVICE**

STAFFING SKILL MIX

For the purpose of paragraph 12.5, it is expected that at least 50% of the internal audit work shall be undertaken by qualified staff.

**INTERNAL AUDIT SPECIFICATION
AUDIT SERVICE**

PSIAS

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>