

HSCIC Internal Audit Arrangements 2014-15

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Contents

Contents	2
Background	3
The Health Group Internal Audit Service	3
Head of Internal Audit	3
Quality Assurance	4
Audit Provision	4
Actions Required of the Board	4

Background

1. At its meeting on 2 April 2014 the Board requested a brief update on the arrangements in place for the provision of internal audit services for the HSCIC for 2014/15.

Health Group Internal Audit Service

2. As from 1 April 2014, internal audit services are being provided by the Health Group Internal Audit Service (HGIAS)¹. This is a shared services arrangement hosted by the Department of Health and providing internal audit services via the Department's in-house auditors and those of PricewaterhouseCoopers who are the co-sourced partners. All of the Department's arm's length body organisations are expected to secure internal audit through this route migrating across as their existing contractual arrangements for audit come to an end.
3. Under these new arrangements internal audit provision for the HSCIC now comprises a mix of the Department's in-house auditors and those of PricewaterhouseCoopers with the latter undertaking the more specialist or complex audits. The model is expected to produce efficiency savings through better targeting of when more expensive specialist audit resources are used compared to total costs incurred in 2013/14 when PricewaterhouseCoopers was the sole provider of internal audit services for the HSCIC.
4. The audit programme for 2014/15 has been agreed by the Assurance and Risk Committee and confirmed through a service level agreement with the HGIAS. The programme contains sufficient flexibility to accommodate any changes in audit requirements arising later in the year.

Head of Internal Audit

5. A Head of Internal Audit is assigned by the HGIAS but the HSCIC has the choice on whether this is provided by a member of the Department of Health's in-house audit team or by PricewaterhouseCoopers. The key function of the role is to oversee the quality of service delivered and provide advice on emerging issues to the Assurance and Risk Committee. The Head of Internal Audit is the main point of contact for the Committee on all internal audit related matters.
6. The HGIAS plan to appoint the Head of Internal Audit for the HSCIC through open competition and the HSCIC will be involved in this process. Potential candidates for the role will be sought from a pool comprising civil service in-house auditors and applicants from PricewaterhouseCoopers. However, the intention is to delay the appointment until later in the summer in order for the new Chair of the Assurance and Risk Committee to be fully involved in the selection process. In the meantime and to ensure continuity, Ian Looker from PricewaterhouseCoopers, who was Head of Internal Audit under the previous contractual arrangements and is a member of the HGIAS, will continue in post until a new appointment has been made. This has been agreed by the Assurance and Risk Committee.

¹ The HGIAS was established as part of the HM Treasury internal audit transformation project with the aim of strengthening internal audit arrangements across central government.

Audit Provision

7. From April 2014, internal audits will therefore be carried out by a combination of Department of Health internal auditors and more specialist audit resources provided by PricewaterhouseCoopers under the hosted HGIAS arrangements. Audit costs will be invoiced on a monthly basis using agreed standard daily rates which will vary depending on whether the audit was undertaken by the Department's internal audit team or PricewaterhouseCoopers. A copy of the agreed service level agreement between the HGIAS and the HSCIC is attached.

Quality Assurance

8. A key benefit from the move to the HGIAS is the opportunity for the HSCIC to further enhance the quality of its audit provision. As the HGIAS provides services for the Department of Health and its arm's length body organisations, the HSCIC will now gain from an audit function that has a system wide appreciation of risks and any emerging broader governance issues. This should result in audit advice with more context and greater depth which in turn should better help the Assurance and Risk Committee review the assurances it receives in terms of the wider health and social care implications.
9. In addition to scrutiny by the Assurance and Risk Committee the overall quality of the service and products provided by the auditors will also be monitored by the Head of the HGIAS which has an escalation route to the Department of Health in the case of concern. Regular meetings between the HGIAS Head of Internal Audit and operational management within the HSCIC to discuss forward planning and the findings and quality of individual audit reports will continue to take place as part of the overall quality assurance process.

Actions Required of the Board

10. This paper is for information only.