

ANGUS IJB
INTERNAL AUDIT SERVICE



FINANCIAL MANAGEMENT FOLLOW-UP
REPORT NO AN07/18
(ANGUS COUNCIL INTERNAL AUDIT REPORT NO. 17-12)

Issued To: V Irons, Chief Officer
S Berry, Chief Finance Officer
G Bowie, Head of Community Health & Care Services

I Lorimer, Head of Corporate Improvement & Finance, Angus Council
M Allan, Corporate Procurement Manager, Angus Council
V Davidson, Principal Planning Officer, Angus Council
E Davies, Finance Services Manager, Adult Services, Angus Council
D Sim, Senior Contracting Officer, Angus Council

Angus Integration Joint Board
D Gibbs, Team Leader- Internal Audit, Angus Council
External Audit- Audit Scotland

Date: 3 May 2018

INTRODUCTION & SCOPE

1. Internal Audit has completed a follow-up review of the financial management audit of the Integration Joint Board (IJB) (report number ANO7-17, Angus Council Internal Audit report no16-21). This review was to ensure that the recommendations of the audit have been completed, or that work is on track to deliver the agreed actions by the original target dates.
2. The work was carried out by Angus Council Internal Audit on behalf of FTF as part of the agreement of shared services. The audit was carried out in the Resources Directorate (Finance section) of Angus Council and the Angus Health and Social Care Partnership.
3. The IJB was established on 3 October 2015 and became fully operational on 1 April 2016. Angus Health and Social Care Partnership provides adult care services under direction of the IJB. Angus Council support services provide financial support to the Angus Health and Social Care Partnership and the IJB Chief Finance Officer.
4. The relevant control objectives of the original review were:
 - ◇ There is an appropriate financial management and reporting framework which reflects and supports the structure and operations of the organisation.
 - ◇ Finance staff are sufficiently briefed regarding their roles and services such that they can adequately support the organisation.
 - ◇ Financial reports are circulated to the Board in a timely manner and are of sufficient detail to support decision making and effective scrutiny.
 - ◇ The financial ledger interfaces with other key management information systems to provide timely and accurate financial data.
 - ◇ The accounting data can be analysed and reported in a way that supports management decisions and actions.
 - ◇ Budgets are constructed and maintained in an efficient and logical manner and support delivery of the current business model
 - ◇ Accurate and achievable budget forecasts are prepared and approved before the start of the period to which they relate, and financial performance is monitored against targets, with variations promptly identified and investigated.

During initial discussions with Angus Council's Internal Audit staff, the IJB Chief Finance Officer stated that he was keen for this review to extend beyond revisiting the recommendations of the original audit, and review associated issues which had not been addressed in the original report. However given that this is a follow-up review, the report has been restricted to following up on progress with the agreed actions from the original audit. It is suggested that any other areas of concern are raised by the IJB Chief Finance Officer as part of discussions with FTF on the 2018/19 Audit Plan.

RISKS

5. The following risk from the IJB financial risk register as at February 2018 could prevent the achievement of the above objectives and were identified as within scope for this audit.

Finance Support Structure

- (Current Risk Assessment – Likelihood – High)

FOLLOW-UP AUDIT FINDINGS

6. The table below outlines the progress made towards completion of the actions identified in the original audit (report number ANO7-17, Angus Council report no16-21).

Priority action	of	No of actions	Complete	No progress	Superseded
Grade 2		5	3	2	-
Grade 3		2	1	-	1
Total		7	4	2	1

7. New recommendations and actions are recorded in the new Action Plan at Appendix 2.

Key Control Objective 1 - There is an appropriate financial management and reporting framework which reflects and supports the structure and operations of the organisation.

FINDINGS

8. The original finding was that the support services document underpinning the financial services provided by the Council to the IJB was dated February 2016 and marked as draft, although this had been approved by committee. The audit recommendation was for Angus Council and the Angus Health and Social Care Integration Joint Board to agree the financial services to be delivered and ensure the agreement is implemented fully. The agreed action was that the Angus Health & Social Care Partnership Chief Officer would review overall Corporate Support arrangements (including Finance). This was to be reviewed by July 2017.
9. We were informed during the follow-up audit that as yet there has been no change to the support services document which includes financial services to the IJB. Due to other workload pressures this recommendation is still to be completed and is therefore included in the new Action Plan at Appendix 2.
10. Staff turnover in the finance section was highlighted as a risk to the financial management of the IJB. There are now documented procedures in place specifically for IJB revenue monitoring and staff monitoring which are intended to partially mitigate the above risk by ensuring that key knowledge is not lost through staff turnover.

11. However the risk relating to Finance staff turnover is still current and significant, given the Finance service restructure which is on-going at present (due to be finalised in August 2018).
12. The timetable put in place by Finance for the issue of monitoring reports to budget holders is still in use and monthly monitoring is being carried out.

Key Control Objective 2 - Finance staff are sufficiently briefed regarding their roles and services such that they can adequately support the organisation.

FINDINGS

13. There were no recommendations made in report no AN07-17 (Angus Council report no 16-21) for Key Control Objective 2. However, our follow-up work found a number of improvements which have made been made in this area since the original audit.
14. As reported to the Angus Health and Social Care IJB in October 2017, all Angus Council finance staff involved in IJB have received comprehensive training to enable them to deliver a robust, professional service.
15. Angus Council finance staff have delivered budget holder training to IJB budget holders. This covered budget holders' responsibilities, levels of responsibility, effective budgetary control and the revenue monitoring process.
16. Agreements have been issued to all budget holders as above to make clear what the budget holder can expect from their Finance contact. This consists of the agreement bodies (names of budget holder and accountant), a budget summary, agreed arrangements i.e. Finance contact will meet with Budget Holder every month and monthly revenue monitoring will be available via SharePoint a minimum of one day prior (to the meeting). This agreement is signed and dated.

Key Control Objective 3 - Financial reports are circulated to the Board in a timely manner and are of sufficient detail to support decision making and effective scrutiny.

17. There were no recommendations against this key control objective in the original audit report.

Key Control Objective 4 - The financial ledger interfaces with other key management information systems to provide timely and accurate financial data.

FINDINGS

18. The recommendation in the original audit was '*The Angus Council Contract register should be updated and kept up to date to enable reconciliation with*

- finance systems.* We were informed by the Council's Finance Service Manager (Team A) that this was not complete. The action stated that an improved contract register was to be routinely and functionally reconciled to finance systems and budget framework.
19. During our follow-up audit work we noted that the Council's contract register has been updated since the original audit, however during a meeting with the Council's Procurement & Commissioning Manager we were advised that the Contract Register does not contain the required level of information to enable the desired reconciliation with the finance system and budget framework to be achieved. Contract values held within the register for non-commitment contracts (e.g. framework agreements) are estimated values for the entire duration of a contract, and cannot be used as a reliable guide to annual actual spend, particularly in the case of contracts for services. The Procurement & Commissioning Manager is developing a "Contract Wave Plan", a cyclical plan which will project the total annual value of spend against each contract, and this could then be matched to budgeted spend by Council Directorates and IJB services. A significant amount of work is required to bring this to fruition, and no timescale for the work has yet been established.
 20. The Angus Council Finance Service Manager (Team A) indicated that for the recommendation to be fully completed it is necessary to have a contact register which links directly to the Finance ledger to facilitate better financial monitoring and reporting. In light of our findings in para. 19, we consider this to be a matter for discussion between the Finance Service Manager (Team A) and the Procurement & Commissioning Manager. A recommendation to this effect has been included in the new action plan at Appendix 2.
 21. It was previously reported that Carefirst (the Council's social care case management system) was reconciled to the Council's financial system (Integra) and work was on-going between the Angus Council Finance Service Manager (Team A) and the Council's Information Systems and Performance Officer to align information between the two systems.
 22. There was a recommendation for a plan with a completion date to be put in place for the project to isolate feeder information from Carefirst to Integra.
 23. There is now an Angus Council and Angus Health & Social Care Partnership (AHSCP) (IJB) joint working group looking at an upgrade to the Carefirst system. The recommendations in the IJB Financial Management 16-21 audit are being taken into consideration as well as day to day issues. The new system is to be implemented in 2018 with the finance module to be added in 2019. This will give time to get a better understanding of what is required for the finance module and help ensure that the system will be fit for purpose. Recommendation 6 from the original audit is therefore superseded (see Appendix 1).

Key Control Objective 5 - The accounting data can be analysed and reported in a way that supports management decisions and actions.

FINDINGS

24. There were no recommendations against this key control objective.
25. It is noted that a major exercise to review the Adult Services budgets took place in 2017 by Angus Council finance division. The exercise has been completed and budgets are much improved.
26. It was noted in the finance report to the Angus Health and Social Care Partnership IJB in October 2017 that there is now an appropriate financial reporting and budgetary framework which reflects and supports the structure and operations of the organisation; revisions have been made to IJB reports and budgets were aligned to an agreed service manager who has approved their budget.
27. It was highlighted by the IJB Chief Finance Officer during our follow-up audit that it was difficult to identify where income had come from as there were few income codes.
28. The Children and Learning Directorate process invoices for IJB services. We were informed by the processing team in the Children and Learning Directorate that there is one income code for non-residential income and four income codes for residential income – older people, under 65 mental health, physical disabilities and learning disabilities.
29. There is the potential here for the Finance Service Manager and the IJB Chief Finance Officer to discuss possible additional income codes and feed this into the project team working on the Council's new ledger coding structure. The Council's coding structure is currently being fully reviewed as part of a Chart of Accounts project. All clients of the Council's Finance service, including the IJB, have had the opportunity to contribute to the review, and this is considered an ideal opportunity for issues regarding coding of IJB income and expenditure to be addressed. We have confirmed that the IJB Chief Finance Officer has had meetings with the Chart of Accounts project team and AHSCP staff have attended working groups on the project. No specific recommendation has been made in this regard, as this should be dealt with as part of the Chart of Accounts project.

Key Control Objective 6 - Budgets are constructed and maintained in an efficient and logical manner and support delivery of the current business model.

FINDINGS

30. There were no recommendations against this key control objective.
31. The finance report to the Angus Health and Social Care Partnership IJB in October 2017 stated that financial reporting and budgetary framework has been finalised and now supports the structure of the organisation, although at that time (October 2017) some further work was still required in specific areas, namely Alcohol & Drugs Partnership (ADP), Help to Live at Home, Locality-Based

Budgets, and developing ownership at team level of service capacity against financial budget. Some of this additional work has now been addressed.

32. Budget holders were involved in every stage of the development of the new financial reporting and budgetary framework and are content with the improvements that have been made. All legacy budgetary framework issues have now been corrected.

Key Control Objective 7 - Accurate and achievable budget forecasts are prepared and approved before the start of the period to which they relate and financial performance is monitored against targets, with variations promptly identified and investigated.

FINDINGS

33. Recommendations relating to Key Control Objective 7 also related to Key Control Objective 2 and these have been completed.
34. Accurate and achievable budget forecasts are now prepared and financial performance is monitored against targets, with variations promptly identified and investigated.
35. The IJB Chief Finance Officer has stated that the quality of financial reporting has improved, however he expressed concern that the new reports are stand-alone work-arounds designed specifically to meet the IJB's financial management information requirements, and are not part of standard procedures for the Council's Finance service as a whole. This was confirmed by the Council's Finance Service Manager (Team A). This created a risk that if key staff were to leave, or be re-assigned during the Finance restructure, the new system of monitoring and reporting for the IJB may not continue.
36. There are now written procedures for revenue monitoring and staff monitoring which are intended to mitigate this risk by ensuring that key knowledge is not lost through staff turnover. Copies of these procedures have been reviewed during the follow-up audit, and we consider these to be adequate in terms of mitigating the specific risk identified. The Council's review of its budget monitoring reports and processes following the implementation of the Integra Budget module will also help to address this.

Other issues identified outwith the scope of this follow-up audit.

FINDINGS

37. The following issue has been highlighted to us during this follow-up audit but is considered to be outwith the scope, which was to ensure that the recommendations of audit report ANO7-17 (Angus Council audit report no.16-21), have been completed, or that work is on track to deliver the agreed actions by the original target dates. Given that this is outwith the scope, no recommendation has been made with regard to this issue, but it was agreed with the IJB Chief Finance Officer in planning this follow-up audit that this issue would be highlighted for future consideration.
- The cost of some Self Directed Support (SDS) packages.

The IJB Chief Finance Officer and the Finance Service Manager (Team A) noted a concern that the SDS assessment function has no benchmark set as to what level of care can afford to be provided to clients overall (i.e. no budgetary framework linked to the overall service budget).

Assessors could potentially propose to clients a level of service available above the minimum required that the IJB cannot afford to fund. It may be a revised policy is required regarding assessment of overall care levels to ensure that overall spend can be controlled. It is felt that budgetary controls could be developed in these areas and that perhaps assessors should be given some budget responsibility and be required to justify spend against their own budget. This would require better reporting of financial information so that budget holders could be given budget reports that more closely demonstrate the impact of individual client packages. Further work would be required to develop this issue but it may be an area to be considered for future review or audit.

ACTION

38. A new action plan to facilitate completion of the recommendations in this report has been prepared (see Appendix 2).

ACKNOWLEDGEMENT

39. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

Appendix 1
Action Plan Progress

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Recommendation complete: Yes/No
1	The support services document underpinning the financial services provided by the Council to the IJB is dated February 2016 and is still marked as draft but was approved by committee. The support services agreement for Finance is to be reviewed in July 2017.	Angus Council and the Angus Health and Social Care Integration Joint Board should agree the financial services to be delivered and ensure the agreement is implemented fully.	2	AHSCP will review overall provision of Corporate Support arrangements (including Finance) from July 2017.	CO – Sept. 2017	No See Key Control Objective 1

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Recommendation complete: Yes/No
2	During 2016/17 budgets have not been correctly aligned to current commitments although financial reporting has been improving over the year especially since December 2016. IJB budgets are planned to be aligned to planned commitments for 2017/18.	The IJB budgets should be reviewed in the 2017/18 financial year to confirm that they are correctly aligned, and that budgets are constantly monitored to ensure that costs are in the correct cost centre.	2	AHSCP to complete revision of Adult Services budgetary framework. AHSCP to confirm completion of revision to Adult Services budgetary framework. To monitor and review new budgetary framework.	CFO/Adult Services Finance Manager – July 2017 CFO/Adult Services Finance Manager – August 2017 CFO/Adult Services Finance Manager – from August 2017	Yes
3	Financial reports to the IJB contain financial information for the client group area but not for each individual service within each client group	Information should be provided by Finance to enable reports to IJB to contain a full breakdown of all service areas to ensure variances can be investigated and managed appropriately.	2	To be completed as part of review of budgetary framework.	See Ref. 2.	Yes

Appendix 1
Action Plan Progress

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Recommendation complete: Yes/No
4	Significant turnover of staff in the Finance section has negatively impacted financial management and led to a subsequent loss of knowledge, with the lack of continuity and knowledge hindering the progress in accurate budgeting.	The IJB Chief Finance Officer should discuss with the Council how they can best maintain continuity of service as far as possible and build resilience into the process to mitigate changes in staffing that is outwith their control.	2	CFO to develop discussion with Angus Council (Head of Finance) and to compile a plan to address documented concerns.	CFO – Sept. 2017	Yes However, a Finance service re-structure is currently on-going, and therefore the risk associated with staff turnover still exists. Discussion between the IJB Chief Finance Officer and the Head of Finance & Legal should therefore continue in this regard. See Key Control Objective 1

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Recommendation complete: Yes/No
5	The Contracts register contains financial information on third party payments to providers, but it is not up to date so therefore cannot be used for budgeting purposes.	The Angus Council Contract register should be updated and kept up to date to enable reconciliation with finance systems.	2	An improved contracts register to be routinely and functionally reconciled to finance systems generally and budget framework particularly. Reflecting fixed annual contracts (SLAs, block contracts), annualised client dependent contracts and spot purchases/framework contracts.	Procurement (Mark Allan)/ Contracts Department (Dave Sim – pending People Directorate confirmation) / Adult Service Finance Manager – November 2017	No The contract register has been updated since the original audit, however the information within the register does not enable reconciliation with finance systems (see para. 19) The Finance Service Manager (Team A) may wish to discuss with the Procurement Team how contract information could be linked to the financial system in future (see Appendix 2 – New Action Plan).

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Recommendation complete: Yes/No
6	Care plan information in Carefirst contains financial information that can be used to inform budgets. The Finance Service Manager and the Angus Health & Social Care Partnership Information Systems & Performance officer are working together to identify information needed and produce meaningful reports from Carefirst to be able to be fed into Integra to accurately predict spend.	A plan with a completion date should be put in place for completion of the project to isolate feeder information from Carefirst to Integra.	3	<p>From finance perspective, the Adult Services Finance Manager has reviewed the quality of data captured in Care First. It has become apparent that an extensive review of data capture is required to inform robust performance analysis reporting and a sound base for the third party provider budgetary framework is required.</p> <p>AHSCP to develop and implement an improvement plan for Carefirst / care recording to facilitate improved data capture, data recording and data reporting for the whole Partnership, to develop and implement an improved interface with Finance systems (thereby improving the budgetary framework and financial reporting) and to improve Performance reporting.</p>	Head of Adult Services/ Principal Officer (Planning)/ Adult Services Finance Manager – Dec'17	<p>Superseded</p> <p>There is to be a new system put in place to replace Carefirst - as per Key Control 4.</p>

Appendix 1
Action Plan Progress

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Recommendation complete: Yes/No
7	Angus Council Finance team have put a timetable in place for budget monitoring reporting and meetings, however this was not in liaison with the IJB.	A timetable to suit the IJB needs should be agreed and put in place each year, including when the first monitoring information will be received.	3	<p>Reporting timetables were acceptable from Jan/Feb 2017 onwards.</p> <p>Reporting timescales for 2017/18 to be issued.</p> <p>AHSCP to continue discussion with Angus Council intended to bring forward appropriate corporate reporting schedules to mutual benefit.</p>	<p>Adult Services Finance Manager – June 2017</p> <p>CFO/Adult Services Finance Manager – August 2017</p>	Yes

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Action Allocated to (for Angus Council staff this will be put on Pentana)
1	There is no progress on the original recommendation for Angus Council and the Angus Health and Social Care Integration Joint Board to agree the financial services to be delivered and ensure the agreement is fully implemented.	It is recommended that the Angus Health & Social Care Partnership Chief Officer completes the outstanding action for Recommendation 1 from the original audit (Report AN07-17).	1	AHSCP will look to review overall provision of Corporate Support arrangements (including Finance) with Partners from July 2018 (Note the IJB acknowledge this is later than anticipated).	CO – Dec. 2018	

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date	Action Allocated to (for Angus Council staff this will be put on Pentana)
2	The contracts register contains financial information on third party providers. Since the original audit the contract register has been updated but the Finance Services Manager (Team A) would like the contract register to feed into the financial system. However, the contract register does not hold the information required for reconciliation with the financial system.	It is recommended that the Procurement & Commissioning Manager and the Finance Services Manager (Team A) meet to discuss how best to link the contract information to the financial systems in future.	3	The IJB and Procurement and Commissioning Manager agree this work needs progressed and concluded. Further work to reconcile Contracts register with Finance information (e.g. budgets) will be led by Finance Manager and Procurement and Commissioning Manager and reported through the Third Party Providers forum.	Procurement and Commissioning Manager and Finance Manager (Team A) – December 2018	Mark Allan, Procurement & Commissioning Officer, Angus Council

DEFINITION OF RECOMMENDATION PRIORITIES

The priorities relating to Internal Audit recommendations are defined as follows:

Priority 1 recommendations relate to critical issues, which will feature in our evaluation of the Governance Statement. These are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention by a Director.

Priority 2 recommendations relate to important issues that require the attention of senior management and may also give rise to material financial loss or error.

Priority 1 and 2 recommendations are highlighted to the Audit Committee and included in the main body of the report within the Audit Opinion and Findings

Priority 3 recommendations are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.

Priority 4 recommendations are recommendations that improve the efficiency and effectiveness of controls operated mainly at supervisory level. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.