

ANGUS COUNCIL

SCRUTINY AND AUDIT COMMITTEE – 21 AUGUST 2018

ANGUS IJB INTERNAL AUDIT REPORTS

REPORT BY MARGO WILLIAMSON, CHIEF EXECUTIVE

ABSTRACT

This report informs the Scrutiny & Audit Committee about recent internal audit reviews in the Angus Health & Social Care Partnership / IJB.

1. RECOMMENDATION

It is recommended that the Committee:

- (i) review the IJB internal audit reports key findings and provide any comments

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

The work of the Scrutiny and Audit Committee supports the achievement of the corporate priorities set out in the Local Outcomes Improvement Plan and the Council Plan.

3. BACKGROUND

Reference is made to item 7 of the minute of the Scrutiny & Audit Committee on 23 January 2018, when the committee approved the Tayside IJBs / NHS Tayside / Tayside Local Authorities Sharing of Audit Outputs Protocol.

This report advises members of the findings of two IJB internal audit reviews which were reported to the IJB's Audit Committee on 27 June 2018. FTF (Fife, Tayside and Forth Valley Audit and Management Services) provide the Chief Internal Auditor function for the IJB. IJB Internal audit reports use FTF's definitions of assurance categories and recommendation priorities. A copy of the definitions is provided for information at Appendix 1 to this report.

4. KEY FINDINGS

Clinical, Care & Professional Governance (AN05/18)

The audit work was designed to evaluate whether appropriate systems were in place and operating effectively to mitigate risks to the achievement of the objective identified below:

- *As set out in Getting it Right for Everyone – a Clinical, Care and Professional Governance Framework, 'It is recognised that the establishment and continuous review of the arrangements for clinical, care and professional governance for all services which are 'in scope' are essential to the delivery in Tayside of each Integration Authority's obligations and quality ambitions. The arrangements described in the Tayside Clinical, Care and Professional Governance Framework are designed to assure Tayside's three IJBs, NHS Tayside and the area's three Local Authorities of the quality and safety of service delivered by its staff, and the difference services are making to the lives and outcomes of the people of Tayside who need them.'*

The following risks, which could prevent the achievement of the above objective, were identified as within the scope for the audit.

- Responsibilities and lines of accountability between the parties and the IJB may not be clear, particularly in relation to hosted services especially primary care
- Available data does not provide management with the joined up information to fully implement the Clinical, Care & Professional Governance Framework

- Clinical and Care Governance processes and procedures may not be sufficient to deliver the required levels of assurance
- Clinical, Care & Professional Governance processes may not be adequately aligned to performance and risk management

The audit opinion was Category B, which is defined as “Broadly Satisfactory – there is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses are present”.

The auditors made five priority 2 and three priority 3 recommendations and an action plan has been agreed with management to address the identified weaknesses.

The full audit report can be accessed from the IJB website:

<https://www.angus.gov.uk/sites/angus-cms/files/2018-06/IJB%20Audit%2027%20June%20Item%204%20Report%2047%20App%201.pdf>

Financial Management follow-up (AN07/18)

The audit was undertaken by Angus Council Internal Audit on behalf of FTF as part of the shared services agreement. It was a follow-up review of the financial management audit undertaken during 2016/17, which was reported to this committee in August 2017. (Report 278/17 refers.)

The 2016/17 Financial Management audit was designed to evaluate whether appropriate controls were in place and operating effectively to mitigate risks to the achievement of the following control objectives:

- 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.

The audit opinion was Category D – Inadequate – there is increased risk that objectives may not be achieved. Improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance.

The table below outlines the progress made towards completion of the actions identified in the 2016/17 audit report.

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

The outstanding recommendations relate to reviewing corporate support arrangements and concluding developing links between the Contracts register and the finance system. Two new actions (grade 1 and grade 3) have been agreed with management to ensure that these issues are addressed.

While weaknesses remain, e.g. in terms of staffing stability, there has undoubtedly been progress with issues such as budgetary management and financial reporting. These have already proved beneficial to the IJB. It is now incumbent on the IJB's Chief Finance Officer and the Finance support teams to ensure the progress made during 2017/18 is maintained, embedded within Council finance systems and is used as a building block for overall improved financial management going forward.

The full audit report can be accessed from the IJB website:

<https://www.angus.gov.uk/sites/angus-cms/files/2018-06/IJB%20Audit%2027%20June%20Item%205%20Report%2048%20App%201.pdf>

5. PROPOSALS

The committee is asked to review the IJB internal audit reports and provide any comment.

6. FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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List of Appendices:

1. FTF Definition of assurance categories and recommendation priorities

Appendix 1



DEFINITION OF ASSURANCE CATEGORIES AND RECOMMENDATION PRIORITIES

Categories of assurance

A	Good	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives.
B	Broadly Satisfactory	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses are present.
C	Adequate	Business objectives are likely to be achieved. However, improvements are required to enhance the adequacy/effectiveness of risk management, control and governance.
D	Inadequate	There is increased risk that objectives may not be achieved. Improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance.
E	Unsatisfactory	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance and to place reliance on the system for corporate governance assurance.
F	Unacceptable	The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Immediate action is required to improve the adequacy and effectiveness of risk management, control and governance.

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.