

**ANGUS IJB
INTERNAL AUDIT SERVICE**



ANNUAL INTERNAL AUDIT REPORT

2017/2018

Issued To: V Irons, Chief Officer
S Berry, Chief Finance Officer

Angus Integration Joint Board
External Audit- Audit Scotland

Date: 18 June 2018

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INTRODUCTION AND CONCLUSION

1. The Integrated Resources Advisory Group (IRAG) guidance outlines the responsibility of the Integration Joint Board (the IJB) to establish adequate and proportionate internal audit arrangements for review of the adequacy of arrangements for risk management, governance and control of the delegated resources.
2. This guidance states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control. To inform this review and the preparation of the governance statement, as stated in the CIPFA framework on Delivering Good Governance in Local Government, Internal Audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework of governance, risk management and control.
3. Guidance issued in April 2017 requires IJBs to prepare their annual accounts and governance statements in accordance with Local Authority Accounts (Scotland) Regulations 2014. These regulations require an authority to:
 - i) Be responsible for ensuring that the financial management of the authority is adequate and effective and that the authority has a sound system of internal control which:
 - (a) facilitates the effective exercise of the authority's functions; and
 - (b) includes arrangements for the management of risk.
 - ii) Conduct a review at least once in each financial year of the effectiveness of its system of internal control.
4. The CIPFA 'Delivering Good Governance' in Local Government Framework 2016 places a responsibility on the authority to ensure *additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control* is provided by the internal auditor.
5. To inform this review and the preparation of the governance statement, as stated in the CIPFA framework on Delivering Good Governance in Local Government, Internal Audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework of governance, risk management and control. As Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2017/18.
6. This review examined the framework in place during the financial year 2017/2018 to provide assurance to the Chief Officer, as Accountable Officer, that there is a sound system of internal control that supports the achievement of the IJB's objectives. It considered:
 - ✧ Corporate Governance
 - Clinical Governance
 - Staff Governance
 - Financial Governance
 - Information Governance

7. The 2015/16 IJB Annual Internal Audit Report first recommended that accountability and responsibilities of the IJB in respect of all governance arrangements should be clarified and agreed by the IJB, and thereafter flow through to risk management and assurance arrangements. We note that across Tayside, a degree of progress has been made, with NHS Tayside Audit Committee in December 2017 agreeing two models of HSCI governance as well as a set of underlying principles for all areas of governance which have been agreed by Tayside IJB Chief Officers. However, these principles have not yet been discussed with local authority colleagues. Governance update reports were provided to Angus IJB's Audit Committee in April 2017 and April 2018.
8. The IJB has been dealing with a number of complex issues not least of which is the need for transformative change to resolve the consequences of the changing environment particularly in relation to performance and finance & workforce. As a consequence, a range of governance developments identified within the IJB's own self assessment and through internal and external audit recommendations have not progressed as anticipated.
9. Whilst we recognise that the IJB is still a developing organisation and that its governance structures are, therefore, necessarily emergent, it must ensure that its governance arrangements are appropriate to its needs and that they develop with increasing responsibilities. It may be that the IJB will need to accept that not all developments can be undertaken concurrently, given the many other significant priorities the IJB must resolve. In the short term a pragmatic approach may be required in which the IJB prioritises the most important developments with a view to enhancing governance arrangements as the organisation develops further. It is vital that the Audit Committee continues to regularly monitor progress in implementing agreed actions and understands the consequences of any non achievement.
10. Angus IJB directs more than half of its services from NHS Tayside but is also in an interdependent relationship with both parent bodies in which the controls in place in one body inevitably affect those in the other. We note that NHS Tayside has indicated that its Governance Statement may not be in a position to conclude positively on the adequacy and effectiveness of controls. Therefore, whilst the controls in place within the IJB may be suitable for this stage in its development, there is now a need to reflect on whether all the services for which the IJB is responsible have been provided within the context of an adequate and effective control environment, acknowledging that these services are delivered within NHS Tayside.
11. Angus Council has drafted a Governance Statement which concludes that reasonable assurance can be placed upon the adequacy and effectiveness of Angus Council's systems of governance and that the annual review demonstrates compliance with the core principles of good governance. In addition, the Annual Internal Audit Report concludes that the Council has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money. Whilst both contain some issues which are of interest to the IJB, neither would give rise to any requirement for consideration in the IJB's Governance Statement.
12. The IJB has produced a draft Governance Statement for 2017/18 which does include reference to the control issues within NHS Tayside.

13. Audit Scotland issued a Good Practice Note relating to IJB Annual accounts in April 2018 which commented on the information to be provided in the governance statement and recommended that sufficient information should be provided in the identified developments for the reader to assess the adequacy of improvement actions to be taken. The draft Governance Statement for 2017/18 includes this information.
14. As Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2017/18.
15. Based on work undertaken I have concluded that:

- **Reliance can be placed on the IJBs governance arrangements and systems of internal controls for 2017/18.**

16. In addition, I have not advised management of any concerns around the following:

- **Consistency of the Governance Statement with information that we are aware of from our work;**
- **The format and content of the Governance Statement in relation to the relevant guidance;**
- **The disclosure of all relevant issues.**

ACTION

17. The IJB is asked to **note** this report in evaluating the internal control environment for 2017/18 and **consider** any actions to be taken on the issues reported for consideration.

INTERNAL CONTROL

18. Following a meeting of Angus IJB in March 2016, FTF were appointed as the IJB's Internal Audit Service. An Internal Audit Charter was approved by the Audit Committee in April 2017 as well as a protocol for the sharing of audit outputs between the partner organisations in January 2018. We can confirm that FTF complies with the Public Sector Internal Audit Standards (PSIAS). The 2017/18 internal audit plan was approved by the IJB Audit Committee in August 2017. Audit work has been undertaken, in partnership with the Angus Council Internal Audit Service, sufficient to allow the Chief Internal Auditor to provide his opinion on the adequacy and effectiveness of internal controls.
19. An Audit Charter was approved by Audit Committee in April 2017 as well as a Protocol for sharing audit reports between the parties in January 2018.

20. To inform our assessment of the internal control framework, we developed a self assessment governance checklist for completion by management. The checklist was based on requirements of the Integration Scheme, guidance issued by the Scottish Government to support Health and Social Care Integration and best practice. It was also cross referenced to the requirements of the CIPFA 'Delivering Good Governance in Local Government Framework 2016' and supporting guidance notes for Scottish Authorities. Our update of the checklist for 2017/18 also included a comparison to an example of a local authority governance statement self assessment, the October 2017 Audit Scotland 'Checklist for Councillors and Board members' and the Audit Scotland technical guidance note 2017/10(LA) module 9 on IJBs.
21. Internal Audit validated the assessments reached through discussion with management and examination of the supporting evidence and documentation. Based on our validation work, we can provide assurance on the following key arrangements in place by 31 March 2018; and also comment on where further development is needed in 2018/19. Based on our assessment, we also recommend further issues for consideration by management.
22. Governance update reports were provided to Angus IJB's Audit Committee in April 2017 and April 2018. We would recommend that this Action Plan is updated to include actions or issues recommended for further consideration by management made within this report, a RAG rating for outstanding issues and provides greater clarity on whether the action is on track, any remedial action being taken and the effectiveness of that remedial action. We would also recommend that the removal of any items from the action plan is formally agreed by the Audit Committee.
23. It is vital that the Audit Committee continues to monitor progress regularly in implementing agreed actions and understands the consequences of any non achievement or slippage in the governance action plan in overall context.
24. Our evaluation of the IJB's Governance Framework is summarised below.

A - Corporate Governance
A1 - Key arrangements in place as at year end 2017/18
<ol style="list-style-type: none"> I. The IJB issued directions for the performance of delegated functions by Angus Council and NHS Tayside, in accordance with all legal and regulatory requirements, with effect from 1 April 2017 and thereafter on an ongoing annual basis until agreed or amended otherwise. The Chief Officer will confirm funding associated with the directions in future financial years in accordance with financial plans approved by the IJB. II. The IJB's Standing Orders were reviewed in June 2017 and considered fit for purpose. An amendment in August 2017 extended the term of the Chair to two years. III. We evidenced regular quarterly performance reporting to the IJB as well as the production of the Annual Strategic Progress and Performance report in June 2017 which included a Strategic Delivery plan 2017-2019. Internal Audit reviewed performance management arrangements under AN05/17 and work is ongoing to address the recommendations made. IV. Alongside the performance management arrangements, in June 2017

<p>members agreed the reporting schedule for the Improvement & Change programme which takes a programme management approach to service redesign within the social care services area. In addition, 'Developing the Angus Care Model' provides an overall framework for a number of review projects. We commend this approach.</p> <p>V. Our review of agendas and minutes of the IJB during the year shows that in this second year of operation, the main focus of the IJB was on items aimed at redesigning care. For example, the IJB regularly considered the development of the Angus Care Model, Primary Care updates as well as the Mental Health Service Redesign Transformation Programme (MHSRTP), Carers' Act implementation and the new GP contract. We also evidenced appropriate consultation exercises as part of the ongoing service redesign work.</p> <p>VI. The Audit Committee met on 4 occasions during 2017/18 as well as a development event held for members We commend good practice in the provision of all relevant external reports to the the Audit Committee as well as completion of the Audit Scotland non-executive checklist. The Audit Committee was also provided with a Governance action plan in April 2017 and April 2018.</p> <p>VII. In June 2017, the Chair of the IJB was nominated as the IJB's representative to the Angus Community Planning Partnership Board.</p> <p>VIII. A revised integration scheme to include new functions and duties contained in the Carers' Act 2016 was submitted for approval by Scottish Ministers in March 2018.</p>
<p>A2 - Developments originally planned for 2017/18</p>
<p>Many of the areas planned for development during 2017/18 have not yet fully concluded and further developments are now planned for 2018/19.</p> <p>Our review of progress of development actions originally planned for 2017/18 shows the following:</p>
<p>I. Audit Scotland "Auditing Best Value- Integration Joint Boards", March 2018 has been reviewed by officers. This will in future be reflected in the Best Value section of Performance reports.</p> <p>II. Whilst no reports were provided to the IJB during 2017/18 on the organisation's strategic risks and risk management arrangements (these are reported to the Clinical & Care Governance Group at R2 level), a review of risk management arrangements was agreed in April 2018. Internal Audit report AN05/18 will make recommendations to be taken into account as part of this work.</p> <p>III. The Strategic Plan is now being reviewed with a view to producing an updated version for the period 2019 to 2022 and plans are in place to include appropriate consultation. A strategic planning group is in place.</p> <p>IV. Whilst initially intended to be carried out during 2017/18, management has acknowledged the need to review corporate support arrangements and will review whether developing SLAs in future may be viable. This should include an assessment of whether the current level of support is sufficient.</p> <p>V. Improvement work on the performance management framework is ongoing, and should take into account the recommendations made under Internal Audit</p>

<p>report AN05/17.</p> <p>VI. In line with the national picture, work in relation to further clarification in relation to Large Hospital services and set aside budget remains ongoing.</p> <p>VII. Some progress has been made in developing hosted service arrangements to support the Memorandum of Understanding agreed in 2016 including a basis for resource allocation and financial reporting. However, in our opinion, further work is required on risk & performance management arrangements for hosted services.</p> <p>VIII. Updates on the implementation of the Communication, Participation and Engagement Strategy 2016-2019 did not come forward during 2017/18 as originally planned, but were reported to the IJB in April 2018.</p> <p>IX. The IJB acknowledges further work is required on Organisational Development.</p>
<p>A3 - Recommended further issues for consideration by management</p>
<p>I. Following on from the governance update reports to the Audit Committee provided in April 2017 and 2018, we would recommend that the Audit Committee considers the governance principles adopted by the HSCI Governance working group and ensures that they are taken forward within the IJB, in partnership with both parent bodies.</p> <p>II. Any changes necessitated by a formal agreement on integration governance to be reached should be taken into consideration as part of the next update to the Standing Orders, Scheme of Delegation and Standing Financial Instructions.</p> <p>III. AN06/18 Internal Audit report will conclude on management and governance structures. Whilst the minutes of the Audit Committee are reported to the IJB, we would recommend that, in future, the committee provides a year-end report to the IJB with a conclusion on whether it has fulfilled its remit and its view on the adequacy and effectiveness of the matters under its purview. It may also be helpful at this time of year for the Committee to reflect on any matters of concern for future consideration.</p> <p>IV. Whilst Angus HSCP does not have its own discrete comprehensive business continuity plan, individual services should have in place their own continuity plans based on the processes in place within the partner bodies. An exercise may be required to ensure that business continuity plans cover all services delegated to the IJB and mirror (new) integrated structures.</p> <p>V. Membership of the IJB and the Audit committee changed during the year including both voting and non-voting members. Although by 31st of March 2018 all positions were appropriately filled, further changes in membership continue to take place. We would recommend that the IJB ensure a regular induction and development process for members.</p>
<p>B - Clinical & Care Governance/ Financial Governance/ Staff Governance/ Information Governance</p>
<p>B1 - Key arrangements in place as at year end 2017/18</p>
<p>I. Whilst not in place at year end, we note positively the work which has been carried out during the year in relation to the development of a multiyear financial framework. In April 2018, the IJB shared its first multiyear financial</p>

<p>framework for 2018/19 to 2020/21. While there are still potential shortfalls in years to come, the document does facilitate the development of the next iteration of the IJB Strategic Plan. As at May 2018, due to the difficulties in NHS Tayside, final 2018/19 budgets are yet to be agreed. The financial framework reflects existing organisational plans (e.g. the Angus Care model), strategies (e.g. re Care homes) and all available financial planning assumptions. This framework now needs to be developed by the IJB along with the impending revision to the Strategic Plan for the same period.</p> <p>II. In March 2018 a fully integrated workforce plan covering the two main employers was approved by the Staff Partnership Forum. Both the independent and voluntary sectors are also included in this plan. However, at year end this had yet to be reported to and formally approved by the IJB.</p> <p>III. The Angus Clinical, Care and Professional R2 Group has developed a reporting framework for all delegated services which includes voluntary reporting by commissioned services such as care homes. An exception report template has been developed for individualised use by all services and we welcome this as a way to apply a consistent assurance appetite to all aspects of IJB activity. Current assurance on implementation of the 'Getting it Right for Everyone – a Clinical, Care and Professional Governance Framework' (GIRFE) comes to the IJB only in the form of certain indicators in the annual performance report under performance area 2- Clinical, Care & Professional Governance. Against each of the 6 domains of the framework, areas for development are highlighted. Management has agreed the recommendations made in Internal Audit report AN05/18 Clinical & Care Governance. Completion of these actions, which fall due between June and September 2018, should improve the flow of assurance in 2018/19.</p> <p>IV. An integrated budget for 17/18 was ultimately agreed and the IJB finally approved the revised financial plan in August 2017.</p> <p>V. Finance updates and reports on work ongoing in relation to the areas presenting the most serious financial risk to the organisation, such as GP prescribing, were regularly reported to the IJB, clearly linking risks identified when agreeing the budget requisitions to the programme of service redesign work being reported.</p> <p>VI. Based on the year-end reported financial position of the IJB, the underlying position of the organisation includes a relatively small underspend in adult services whilst within healthcare services, a significant overspend in prescribing is partially offset by underspends in community health services.</p> <p>VII. Work was carried out to align the NHS and Social Work Complaints Handling Procedures providing guidance for staff how to handle complaints regarding integrated services as well as for services which remain the responsibility of the partner bodies. The new Complaints Handling Procedure was adopted by the IJB in June 2017.</p>
<p>B2- Developments originally planned for 2017/18</p>
<p>Many of the areas planned for development during 2017/18 have not yet fully concluded and further developments are now planned for 2018/19.</p> <p>Our review of progress of development actions originally planned for 2017/18 shows the following:</p>
<p>VIII. The Clinical, Care & Professional Governance Framework 'Getting it Right for everyone' is currently under review across Tayside. In response to Internal</p>

<p>Audit report AN05/18 Clinical, Care & professional Governance, management has agreed to review reporting lines on this topic to the IJB.</p> <p>IX. Requirements for a scheme of delegation for the CFO still require to be reviewed as part of a broader review of the financial regulations.</p> <p>X. A Scheme of Further Delegation still needs to be documented for IJB services directed to NHST and Angus Council.</p> <p>XI. Agreement of a formal objective setting and appraisal process for the CFO remains outstanding.</p> <p>XII. Angus IJB received a report in February 2018 setting out the implications of the GDPR including an action plan to prepare a records management plan. However, an updated information sharing protocol (consistent with Scottish Government's Information Sharing Toolkit and GDPR is under development and still requires ratification. Angus Health & Social Care Partnership Executive Management Team considered this issue on 30/04/18 and agreed a plan for implementation of GDPR compliant protocols and procedures and the appointment of a data Protection Officer.</p>
<p>B3 - Recommended further issues for consideration by management</p>
<p>I. We commend the development of the integrated workforce plan and would suggest that when this is presented to the IJB, information should be included to show overtly how this important strategic document links to other supporting strategies such as the financial framework and the delivery of corporate objectives. A reporting and monitoring process for this fundamental strategy should be agreed.</p> <p>II. During 2017/18, the IJB noted the use of one-off funding to support specific projects and costs. We would recommend that any individual papers on such one-off financial actions need to clearly set out they link to the organisation's underlying financial position and how it will ensure funding is utilised for the purpose intended by the provider of the funding.</p> <p>III. It is not clear that if under its current configuration, the IJB itself own the data it uses. There is a need for a wider discussion around information sharing, GDPR and ownership of information that clarifies responsibilities and accountabilities in this area; the HSCI governance principles referred to above also highlight the need for urgent clarification of these matters.</p>

ACKNOWLEDGEMENT

25. On behalf of the Internal Audit Service I would like to take this opportunity to thank the Chief Officer and Chief Finance Officer of the IJB as well as staff within the partnership for the help and co-operation extended to Internal Audit throughout the year.

A Gaskin, BSc. ACA
Chief Internal Auditor

Ref.	Finding	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
1.	<p>A high level Governance Action plan is in place and has been monitored in April 2017 and April 2018 by the Audit Committee. However, a range of governance developments identified within the IJB's own self assessment and through internal and external audit recommendations have not progressed as fully as anticipated.</p> <p>Our evaluation of the IJB's governance framework is set out in the body of this report and also includes recommended further issues for consideration by management.</p>	<p>We would recommend that this Action Plan is updated to include:</p> <ul style="list-style-type: none"> actions or issues recommended for further consideration by management made within this report a RAG rating for outstanding issues greater clarity on whether the action is on track, any remedial action being taken and the effectiveness of that remedial action. <p>We would also recommend that the removal of any items from the action plan is formally agreed by the Audit Committee.</p> <p>It is vital that the Audit Committee continues to regularly monitor progress in implementing agreed actions and understands the consequences of any non achievement or slippage in the governance action plan in overall context.</p>	2	<p>The IJB will develop a comprehensive and dynamic governance action plan as described.</p> <p>This will include issues covered by Internal Audit reports, External Audits reports and items described in the Governance statement, etc.</p>	<p>Chief Finance Officer</p> <p>31 August 2018 (for production of Action Plan).</p>