

**PERTH AND KINROSS IJB  
INTERNAL AUDIT SERVICE**



**ANNUAL INTERNAL AUDIT REPORT**

**2017/2018**

Issued To: R Packham, Chief Officer  
J Smith, Chief Finance Officer

Perth and Kinross Integration Joint Board  
External Audit - KPMG

Date: 15 June 2018

## ANNUAL INTERNAL AUDIT REPORT 2017/18

### 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. We also welcome the regular updates that have been provided on this to the P&K IJB Audit & Performance Committee (A&PC). In March 2018, the A&PC also received a paper clearly setting out the IJB's understanding of its position as a commissioning body.
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 fully as anticipated.
9. Whilst we recognise that the IJB is still a nascent 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 A&PC continues to regularly monitor progress in implementing agreed actions and understands the consequences of any non achievement.
10. P&K IJB not only commissions the majority of its services from NHS Tayside but is also in a symbiotic 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 urgently on whether all the services for which the IJB is strategically responsible have been provided within the context of an adequate and effective control environment.
11. P&K Council has approved a Governance Statement which does conclude positively on the adequacy and effectiveness of internal controls accompanied by an Annual Internal Audit Report which, whilst overall positive does state that only limited assurance can be placed on the Corporate Risk Management arrangements. 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 Transforming Governance Action Plan developed by the IJB has been included as an appendix to the Governance Statement and therefore fulfils this requirement.
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. FTF was appointed as the IJB's Internal Audit Service in September 2017. We can confirm that FTF complies with the Public Sector Internal Audit Standards (PSIAS). The 2017/18 internal audit plan was also approved by the September 2017 meeting of the IJB's A&PC. Audits have been completed, in partnership with the Perth & Kinross Council Internal Audit Service, sufficient to allow the Chief Internal Auditor to provide his opinion on the adequacy and effectiveness of internal controls. However, we would highlight that, at the request of the client, the Risk Management audit planned for 2017/18 has been delayed to allow Internal Audit to provide advice and support to the ongoing review of Risk Management arrangements. In addition, the review of Strategic Planning including corporate support and capacity has also been delayed, again at the request of management, to allow new support arrangements to bed in.
19. An Audit Charter as well as a Protocol for sharing audit reports between the parties were approved by the A&PC in March 2017.

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.
22. Perth & Kinross Health and Social Care Partnership independently developed a governance self assessment including a library of supporting evidence which sets out a risk assessment as well as responsible officers and timescales for identified improvement actions. A high level Transforming Governance Action was originally developed following the assessment at year end 2016/17 and monitored by the A&PC during 2017/18. We would recommend that this Action Plan is updated to include 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 A&PC.
23. 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.
24. Our evaluation of the IJB's Governance Framework is summarised below.

<b>Corporate Governance</b>
<b>Key arrangements in place as at year end 2017/18</b>
<ul style="list-style-type: none"> <li>• We welcome the regular governance updates to the A&amp;PC including the paper reported to the March 2018 meeting which clearly documents the position P&amp;K IJB has adopted in relation to the governance and accountability arrangements between it and its partner bodies.</li> <li>• The Chief Officer provides an update to each IJB meeting on work ongoing across the HSCP for information in between formal reports.</li> <li>• 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 on developing strategic objectives and redesigning care. For example, the IJB regularly considered the Mental Health Service Redesign Transformation Programme (MHSRTP), GP Prescribing &amp; Engagement, residential care etc</li> <li>• An A&amp;PC is in place and our review of agendas and minutes showed that it addressed its duties set out in the terms of reference during the year. The committee also has delegated responsibility for both Performance and Risk Management which have been regular agenda items for the committee.</li> </ul>

- The A&PC:
  - Approved its Terms of Reference in January 2017
  - Appointed Internal Auditors and approved the Internal Audit Annual plan for 2017/18 in September 2017.
  - Regularly receives progress reports from Internal Audit
  - The appointed External Auditors KPMG presented their plan in March 2018
  - The Committee monitored the Transforming Governance Action Plan at its June 2017, September 2017 and March 2018 meetings. A further update has been drafted for June 2018.
  - Updates on governance arrangements were discussed regularly
- The IJB has a Communication Strategy and visual identify/ brand. An update report on participation, engagement and communication strategies was provided to the IJB in August 2017 and the Locality Participation and Engagement Plans for each area have been finalised during 2017/18.
- The IJB has agreed decision making protocols, with a standard template for IJB papers.
- Membership of the IJB changed during the year but all required roles were filled at year end
- An Equality Outcomes Progress report was received by the IJB in June 2017
- P&K IJB's Annual Performance report 2016/17 was published in August 2017

#### **Developments originally planned for 2017/18**

In 2016/17, the Self Assessment undertaken identified improvement actions. In addition, a high level Transforming Governance Action Plan was developed. Many of the areas planned for development during 2017/18 have not yet fully concluded and further developments are now planned for 2018/19.

Our review of progress of development actions originally planned for 2017/18 shows the following:

- The IJB had agreed to develop a Strategic Delivery Plan to ensure the IJB fulfils its remit in delivering the direction of travel within the Strategic Commissioning Plan. A refreshed structure and approach to strategic planning was approved in January 2018. Further details on the remits, memberships and reporting structures to support the development of the refreshed plan have yet to be reported to the IJB. The next improvement action plan update to be provided in June 2018 describes the move to a Care Programme Board structure including performance framework and programme budgets. Future performance monitoring will be based on the care programme structure.
- Work on arranging facilitated risk management workshops has continued during the year and these are now planned to take place in June 2018. Internal Audit will review the output and make recommendations on any further improvements.

- 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.
- Whilst service redesign work which has an impact on unscheduled care has been undertaken and reported upon to the IJB, no clear plan for Large Hospital Set Aside has yet been agreed. This is in line with the national picture.
- A draft Governance Statement has been prepared for 2017/18 as part of the annual accounts process and will be presented to the A&PC in June 2018. We have commented above on the impact of NHS Tayside's control environment.
- The internal audit review of the effectiveness of current support arrangements will be included in a wider review of strategic planning arrangements.
- Whilst the partnership is represented in the development of the Local Outcome Improvement Plan under the Community Empowerment (Scotland) Act, the need to develop the strategic and operational links with the Community Planning Partnership has been identified by the self assessment.

#### **Recommended further issues for consideration by management**

Many important governance areas where we would expect further development to still be required have already been identified by management and are included in the Transforming Governance Action Plan. In addition, we would recommend the following specific actions:

- In addition to the next steps set out in the March 2018 Governance paper, we would recommend that the A&PC consider the governance principles adopted by the HSCI Governance working group and ensure that they are taken forward within the IJB, in partnership with both parent bodies.
- The Executive Management Team has replaced the Transformation Board as the key forum to oversee development and implementation of the service redesign required to deliver Strategic Plan objectives. We have been informed that the 3 year Financial plan which is planned for September 2018 will clearly set out by Care Programme the Transformation Proposals and financial implications. This will sit alongside Strategic Delivery Plans for each Care Group which will link transformation plans to strategic objectives and thus provide an overall picture.
- Minutes of P&K IJB and A&PC meetings are minimalist and do not provide a record of discussions, questions asked and assurances provided which would allow interested parties, including Board members not in attendance, a fuller understanding of the issues.
- Whilst the A&PC has regularly considered both performance and risk management updates, and the minutes of the committee are reported to the IJB, we would recommend that, in future, the A&PC 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.

- No formal directions were issued for 2017/18.
- Standing orders and other fundamental governance documents should be subject to regular review to ensure they remain fit for purpose and should be updated following agreement of the HSCI governance principles.
- High level arrangements were made to refer to Best Value in the IJB's Annual performance report, based on the work undertaken by the Partnership Transformation Board set up in 16/17 to drive progress. Audit Scotland "Auditing Best Value - Integration Joint Boards" was published in March 2018. We have been informed that the Draft Annual Performance Report for 2017/18 includes a robust update on mechanisms in place for delivery of best value.

**Clinical & Care Governance/ Financial Governance/ Staff Governance/ Information Governance**

**Key arrangements in place as at year end 2017/18**

- 6 monthly progress reports on Clinical & Care Governance are presented to the IJB. In addition, a Clinical, Care & Professional Governance Progress Report was presented to the March and June 2017 meetings of the A&PC, providing an update with regard to the arrangements for Care & Professional Governance across the partnership, and activity and progress to date led by the Care & Professional Governance Forum.
- Management has positively responded to the recommendations made in Internal Audit report PK05/17 Clinical & Care Governance. Completion of the agreed actions due by the end of June 2018 should improve the flow of assurance in 2018/19.
- An updated Complaints Handling Policy was granted approval in August 2017 as compliant by the Scottish Public Services Ombudsman.
- On an annual basis the IJB has to formally agree a devolved budget with Perth & Kinross Council and NHS Tayside. The budget requisition to P&KC was formally approved in March 2017. In June 2017, the NHS Tayside budget proposition for Core Hospital, Community and Other hosted services and associated savings plan was approved, although further work was required to ensure the budget for GP Prescribing and Inpatient Mental Health was sustainable. However, subsequent minutes and action points updates do not record whether a final position was formally agreed.
- Financial updates were regularly reported to the IJB and included year end forecasts, information on savings delivery as well as information in relation to specific partnership funding.
- Based on the most recently reported financial position of the IJB as at December 2017, an overall underspend position is forecast for year end. However, this includes an underlying position of significant overspends in relation to GP prescribing and inpatient mental health services. This clearly links to the risks identified when agreeing the budget requisitions as well as to the programme of service redesign work being reported.



### **Developments originally planned for 2017/18**

In 2016/17, the Self Assessment undertaken identified improvement actions. In addition, a high level Transforming Governance Action Plan was developed. Many of the areas planned for development during 2017/18 have not yet fully concluded and further developments are now planned for 2018/19.

Our review of progress of development actions originally planned for 2017/18 shows the following:

- A Health and Social Care Joint Workforce and Organisational Development Strategy was submitted to the IJB in June 2017 providing an update on the progress to date. However, the minutes record no discussion of this item and no further progress has been reported.
- Work has continued on the financial planning process and a draft 3 Year Financial Plan for all areas aside from Prescribing is to be brought forward to the IJB in August 2018. Budgeting is to be aligned to the care programme board structure.
- The information sharing protocol in place originally signed by NHS Tayside and Perth & Kinross Council was to be reviewed in 2017/18 but no new protocol has come forward for approval. We would highlight the significant risks associated with this area, particularly in relation to GDPR.

### **Recommended further issues for consideration by management**

Many important governance areas where we would expect further development to still be required have already been identified by management and are included in the Transforming Governance Action Plan. In addition, we would recommend the following specific actions:

- The Transforming Governance Action Plan update for June 2018 shows that the IJB plans to employ a data protection officer. However, it is not clear that, 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.

## **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 Transforming Governance Action is in place and has been monitored during the year. 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 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"> <li>the further recommendations made within this report</li> <li>a RAG rating for outstanding issues</li> <li>greater clarity on whether the action is on track, any remedial action being taken and the effectiveness of that remedial action.</li> </ul> <p>We would also recommend that the removal of any items from the action plan is formally agreed by the A&amp;PC.</p> <p>It is vital that the A&amp;PC 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	Agreed in full	<p>Chief Finance Officer</p> <p>30 September 2018</p>