



Internal Audit Report
Perth & Kinross IJB
PKIJB20-02 Corporate Support
August 2022

Final Report

Legal and Governance
Corporate and Democratic Services
Perth & Kinross Council
Council Offices
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PKIJB20-02 Corporate Support

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1. Introduction

- 1.1 This assignment forms part of the Internal Audit plan for 2020/21, approved by the Audit and Performance Committee on 14 September 2020.
- 1.2 The indicative scope for the audit was to ensure that adequate arrangements are in place for the delivery of corporate support functions for the Partnership and IJB. This will include reference to relevant sections of the Integration Scheme and benchmark against statutory partner arrangements.

- 1.3 This audit is linked to the following Strategic Risks:

Strategic risk SR10: *‘As a result of insufficient Corporate staff resource there is a risk that functions such as improvement and project support, robust administration as well as core corporate duties such as performance, risk management, strategic planning, governance and audit, will be unable to deliver as required to achieve strategic objectives’;*

SR09 *‘As a result of insufficient capacity in the Leadership Team there is a risk that the clear direction and leadership required to achieve the vision for integration is not achieved’*

Both risks are rated priority 2 *‘significant risks, which may have a serious impact on the Partnership or Service Delivery and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk.’*

2. Audit Background Information

- 2.1 The relevant professional standard for internal audit activity within public sector organisations is the Public Sector Internal Audit Standards (PSIAS). The definition given in the PSIAS is as follows:

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

3. Scope and Limitations

- 3.1 This audit considered arrangements in place to ensure that these risks are mitigated and managed as appropriate, including review of documentation and meeting with relevant officers.

A control objective is a management objective that requires the maintenance of effective internal controls to ensure that it is achieved. The review was

designed to assist the IJB to identify the following key elements required to ensure that support arrangements are sufficient to deliver its key objectives:

- The essential outputs of the IJB
- Resources required to deliver these successfully
- Current resources available to fulfil those objectives, whether within the IJB or available from partners
- Assess work already undertaken to improve efficiency or address identified gaps and identify any further options which might be pursued.

4. Assessment of the Control Environment

4.1 The auditor has assessed that limited assurance can be placed on controls overall in relation to corporate support from the audit, meaning that significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.

4.2 A summary of the key findings and actions are provided in section 5, please note however, the following areas of good practice which have been highlighted during the audit:

- The organisation has been proactive in identifying opportunities for local action, centred on identifying investment in integrated posts.
- Completion of a 'Rapid Review' exercise reported to EMT in December 2021, looking at current workload, current gaps and the current approach to these gaps, as well as proposed future steps for a number of functions.
- Approval of a funding solution in December 2021 for some areas, including the establishment of permanent posts within the corporate planning and performance team.

5. Summary of Findings

5.1 Below is a summary of key findings and actions, which are reflected in the Management Action Plan, detailed in section 9.

5.2 In accordance with Langland's principles, the organisation first needs to be clear about its purpose and its intended outcomes for citizens and service users. Perth & Kinross IJB's strategic aims are set out in the Strategic Commissioning Plan 2020-2025.

5.3 The partner organisations (NHS and Local Authority) have delegated functions to the IJB, which in turn is responsible for producing a strategic commissioning plan and financial plan for the functions and money delegated to it, and then issuing directions and making the associated payments to the Tayside NHS Board and Perth & Kinross Council for the delivery of services.

5.4 A clear distinction requires to be made between the IJB and the HSCP: The IJB is a legal entity subject to public sector (in this case Local Authority)

governance and accountability regulations, and an HSCP has no legal status and can be viewed as the vehicle to formalise joint working arrangements. In practice, the term HSCP is often used to apply to all staff working within it, although they remain as NHS or Council employees.

- 5.5 The functions now delegated to the IJB would previously have been supported by corporate support functions when still part of the partner bodies. However, additional support needs have arisen or have changed in response to the more integrated way of working. As a new corporate body, with new legal and governance requirements, the IJB requires its own governance / corporate support functions commensurate with its status and legal requirements. What is required from supporting departments in the partner bodies is also different in the context of integrated management arrangements and as a separate legal entity.
- 5.6 A range of functions and services, which are inclusive but not exhaustive, is set out in the Integration Scheme. Tayside IJB Integration Schemes are currently under review, with the current (January 2022) draft including the following principle: 'It will be the responsibility of the Parties to work collaboratively to provide the Integration Joint Board with support services which will allow the Integration Joint Board to carry out its functions and requirements. The parties will agree a memorandum of understanding that will define the terms and arrangements for the provision of services to support the Integration Joint Board'. The Integration Scheme also sets out that the IJB should make proposals (business cases) and influence decision making for supporting strategies and assets in the same way. A limited number of staff were directly delegated to the IJB at its inception and additional staff have subsequently been assigned into roles directly supporting Perth & Kinross IJB. However there was no detailed analysis to quantify the level of support provided by partners, nor is there any formal agreement, such as a Service Level Agreement, setting out specific allocations for support services provided by partners. Therefore, the support provided by the partners is based on custom and practice, reliant on scarce resources among many competing priorities for the partners.
- 5.7 A paper submitted to the Perth & Kinross IJB in March 2016 first identified the need to develop the approach to corporate support arrangements, including resources from partners and any additional integrated requirements. As well as noting existing resources provided by partners, the IJB agreed additional requirements and support arrangements, as well as the formation of a Corporate Services Forum to review the process for corporate support services and agree future IJB developments and resources be agreed. However, no further update on this has been provided to the IJB and this Corporate Services Forum was never formed.
- 5.8 Over the years, P&K IJB has taken action through local investment, creating additional corporate support capacity within areas such as risk, governance, finance, performance and planning. These posts have been mostly on a temporary basis.

- 5.9 Although action has been taken over the years to articulate the concerns, for example through the review of corporate support arrangements in January 2020 and the 'Organised to deliver' paper to the Executive Management Team in September 2020, a satisfactory outcome to ensure adequate and appropriate corporate support, particularly that provided by the partners, has not been reached.
- 5.10 Management capacity and corporate support have also been highlighted as themes within external audit reports, including the 2019 Joint Inspection report ('The effectiveness of strategic planning in Perth & Kinross Health and Social Care Partnership'), and as part of the action plan agreed in response to the Ministerial Steering Group (MSG) for Health and Community Care ('Review of Progress with Integration of Health and Social Care, Final Report, February 2019'). A partnership improvement plan, based on these recommendations is regularly monitored by the Audit and Performance Committee, with the most recent update in December 2021 showing limited progress against point 23, to 'Seek appropriate levels of Corporate support from Statutory Partners including organisational and workforce development'. The update showed that only some HR input into the Workforce Planning Group materialised, with the IJB having to make their own investment in further capacity. A Corporate Services section has also been drafted as part of a workforce plan scheduled for sign off and submission to the Scottish Government by 29 July 2022.
- 5.11 While a strategic risk has been in place since October 2020, a number of the controls noted do not have the ability to mitigate the risk (which agrees with the existing control rating 'not all controls are fully effective'), most notably the level of support delegated by partners, the agreement with partners referred to as a control and the current arrangements for discussion with partners on corporate support. The risk should be updated for the actions to be agreed in response to this report.
- 5.12 Further action to address the risk has recently been taken in the form of a 'Rapid Review', looking at current workload, current gaps and the current approach to these gaps, as well as proposed future steps for a number of functions. A paper was then presented to the Executive Management Team (EMT) in December 2021, where a funding solution was approved for some areas, including the establishment of permanent posts within the corporate planning and performance team. This represents significant additional investment by the IJB to create its own integrated capacity.
- 5.13 The functions chosen to be surveyed as part of the Rapid review are not an exact match to those noted in the Integrated Scheme and not all functions surveyed returned information, so the results at this point do not provide a full picture. This means a number of areas do not currently have any agreed actions to address current gaps.
- 5.14 Whilst the organisation has been proactive in identifying opportunities for local action, centred on identifying investment in integrated posts, there is not yet clarity over how the principle of collaborative working to ensure provision of support services outlined in the new (draft) Integration Scheme can be

ensured in practice. Currently there is no dedicated forum which provides a mechanism to ensure appropriate corporate support is provided from within the IJB, from the partner organisations or by the other IJBs. However, 1:1 meetings at senior management level allow P&K management to discuss this area. To address the issues outline in this report, commitment is needed from all partners. If necessary, and for issues involving Partners, escalation should be to the Working Together Forum, where the Chairs, Council Leaders, Chief Executives and Chief Officers from all partner bodies meet.

- 5.15 A more formal construct is also required to ensure appropriate corporate support is established, agreed and maintained. We recommend that the IJB seeks support from its partners to establish both a formal agreement (Memorandum of Understanding as per the Integration Scheme) and a Corporate Services Forum, with membership from all partners, to give practical meaning to the principle set out in the draft updated Integration Scheme. We have recently recommended to NHS Tayside that progress with integration, including actions arising from the MSG improvement plans, should be monitored at Board level. This should include corporate support. In addition to formalising arrangements, a mature and collaborative approach with excellent lines of communication will be key to ensuring all partners understand and can fulfil their responsibilities, thereby establishing and maintaining effective corporate support services.

6. Conclusion

- 6.1 The Internal Audit review is able to place limited assurance on the overall control environment for corporate support. The agreed actions, once implemented, should enable Internal Audit to place substantial assurance on these.

7. Acknowledgements

- 7.1 Internal Audit would like to thank all officers who were involved in this audit, particularly the Chief Finance Officer and Governance & Risk Coordinator.

8. Action Implementation & Follow up

- 8.1 Responsibility for the maintenance of adequate and effective controls rests with management. Where the audit has identified areas for management action, these are identified in the Management Action Plan. Where a decision is taken by management not to act in response to finding from this review, it is the responsibility of management to assess and accept the risk arising from non-implementation.
- 8.2 Achievement of the agreed actions is monitored through Internal Audit's 'follow up' arrangements.

9. Management Action Plan

Action Point	Para. No	Finding	Risk Rating	Agreed Action & Evidence	Action Owner	Target Completion Date
1	5.15	<p>Support services provided by partner organisations have never been formally quantified. While the current and draft future Integration Scheme set out a principle of collaboration in the provision of support services, there is currently no agreed, documented process to establish, monitor or make changes to the support provided, especially as support needs change over time and may increase as the delegated services become more integrated. The updated (draft) Integration Scheme proposes the development of a Memorandum of Understanding. A paper submitted to the Perth & Kinross IJB in March 2021⁶ proposed formation of a Corporate Services Forum but this forum was never established.</p> <p>Recommendation: We strongly recommend the IJB seeks support from its partners for structures that allow for both formal and more informal collaborative working to</p>	4 – High	<p>Agreed action: <i>The need for such a forum and increased collaborative working in relation to Corporate Support has been identified as a priority by the Project Group overseeing the review of the Tayside Integration Schemes which includes senior representation for all partner bodies. It is therefore proposed that this recommendation be discussed with the Integration Project Group who have committed to develop a 2022/23 workplan for consideration of key commitments being made by both partners in the revised scheme and how these can be taken forward.</i></p> <p>Agreed evidence: <i>Formal communication with Integration Tayside Project Team to request consideration.</i></p>	Head of Finance & Corporate Services	March 2023

		<p>ensure appropriate corporate support is established and maintained.</p> <p>A formal agreement, such as the Memorandum of Understanding as referenced in the Integration Scheme should clearly outline the functions to be provided and any expected standard or general principles to be adhered to by all parties. It should also include monitoring and review processes, as well as a process for dispute resolution.</p> <p>A Corporate Services Forum should be established including appropriate membership from across all parties</p>				
2	5.14	<p>A 'Rapid Review' of corporate support was recently undertaken in house, looking at current workload, gaps and the approach taken, as well as proposed future steps for a number of functions. The functions chosen to be surveyed are not an exact match to those noted in the Integrated Scheme and not all functions surveyed returned information, so the results at this point do not provide a full picture. A</p>	4 – High	<p>Agreed action: <i>Agreed. It is also proposed that premises planning, workforce planning, information governance and communications are also considered.</i></p> <p>Agreed evidence: <i>Phase 2 Review of Corporate Services Report to EMT</i></p>	Head of Finance & Corporate Services	September 2022

		<p>paper based on this exercise was presented to the Executive Management Team (EMT) in December 2021, where a funding solution was approved for some areas.</p> <p>Recommendation:</p> <p>We would recommend that the following services are added to the rapid review: Procurement, Information Technology, Complaints & Feedback and Resilience (Category 1 responder functions).</p> <p>A conclusion on the current support requirements for each function should be reached, including either any funding solution in house, any agreement to be reached with partner bodies or any risk that arises by not addressing any identified needs. These should be clearly communicated to all officers and managers concerned.</p>				
3	5.12	<p>A strategic risk has also been in place since October 2020. A number of the controls noted do not have the ability to strongly influence the risk (which agrees with the</p>	3-Medium	<p>Agreed action and evidence:</p> <p><i>Agreed.</i></p> <p><i>The updated Strategic Risk Register will be presented to the</i></p>	Head of Finance & Corporate Services	September 2022

		<p>existing control rating 'not all controls are fully effective') and the risk score has remained as a priority 1 risk since its inception.</p> <p>Recommendation:</p> <p>The risk should be updated for the actions to be agreed in response to this report. A Corporate Services section has also been drafted as part of a workforce plan being developed.</p>		<i>Audit & Performance Committee</i>		
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10. Authorisation

- 10.1 The auditor for this assignment was J Triebs. The supervising auditor was J Lyall.
This report is authorised for issue:

11. Distribution

- 11.1 This report has been distributed to:
J Pepper, Interim Chief Officer
J Smith, Chief Financial Officer
P Jerrard, Governance and Risk Coordinator
K Donaldson, Chief Operating Officer, Perth & Kinross Council

12. Assessment Definitions

12.1 The following table contains the definitions of the control objective assessment.

Control Objective Assessment	
Level of assurance	Definition
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

12.2 The following table contains the definitions applied by Internal Audit in rating audit findings/actions.

Risk Rating for Individual Findings		
Rating	Rating description	Definition
5	Critical	Significant observations / major concerns which require immediate action. Management will need to add these to the appropriate Service risk register <i>Issue represents a control weakness which could cause, or is causing, severe disruption of the process or severe adverse effect on the ability to achieve process objectives</i>
4	High	Significant observations regarding the absence / failure of key controls requiring urgent action. Management should consider adding these to the appropriate Service / divisional risk register <i>Issue represents a control weakness which could have, or is having, major adverse effect on the ability to achieve process objectives</i>
3	Medium	Observations regarding the effectiveness of key controls requiring reasonably urgent action. Management should consider these when updating any divisional / team risk registers <i>Issue represents a control weakness which could have, or is</i>

		<i>having, significant adverse effect on the ability to achieve process objectives</i>
2	Low	<p>Minor observations regarding the adequacy of controls which require action to improve the efficiency, effectiveness, or economy of operations or which otherwise require to be brought to the attention of Senior Management</p> <p><i>Issue represents a minor control weakness with minimal but reportable impact on the ability to achieve process objectives</i></p>
1	Trivial / Minor	<p>Very minor observations which will be raised during the audit and may not be included within the final report</p> <p><i>Issue represents a very minor control weakness with negligible impact on the ability to achieve process objectives. The issue will be raised during the audit and may not be included within the final report.</i></p>