



PERTH AND KINROSS INTEGRATION JOINT BOARD

AUDIT & PERFORMANCE COMMITTEE

19 JUNE 2018

ANNUAL GOVERNANCE STATEMENT

Report by Chief Financial Officer (G/18/84)

PURPOSE OF REPORT

The purpose of the report is to seek approval of the Annual Governance Statement for the financial year 2017/18 which provides assurance as to the effectiveness of the Integration Joint Board's (IJB) governance framework and in particular the system of internal control.

1. INTRODUCTION

- 1.1 The purpose of the Annual Governance Statement (AGS) is to give assurance to our stakeholders that we have effective arrangements in place to ensure that, as an IJB we are doing the right things for the right people at the right time in an open, honest and accountable way.
- 1.2 The AGS provides an opportunity to review our rules, resources, systems, processes, culture and values to make sure that our governance framework and in particular our system of internal control is:

- legally compliant
- ethically sound; and
- fit for purpose

thereby enabling the IJB to achieve its strategic objectives and provide high quality services that meet the needs of our communities, in an appropriate, efficient and affordable way. It is important therefore, that governance issues are identified systematically and comprehensively and reported in an open and transparent manner.

- 1.3 The Annual Governance Statement for 2017/18 is attached as Appendix 1 to this report.

2. GOVERNANCE ASSURANCE PROCESS

- 2.1 The process for reviewing the integrity and effectiveness of our governance arrangements to inform the AGS has been led by the Chief Finance Officer. Evidence has been gathered by way of self-assessment which has been scrutinised by the Chief Finance Officer and the Executive Management Team.

3 GOVERNANCE ISSUES

- 3.1 The assurance process demonstrated that the IJB has in place adequate internal controls that are considered fit for purpose in accordance with the governance framework.
- 3.2 The process has been successful in identifying areas and controls that would benefit from further development to ensure that they can manage and mitigate current and emerging risks more effectively. These are set out in the 2018/19 Transforming Governance Improvement Plan at Appendix 2.

4. RECOMMENDATION

- 4.1 It is recommended that the Committee:
- (i) Discuss and approve the 2017-2018 Annual Governance Statement
 - (ii) Agree for the issue of a letter to the Chairs of NHS Tayside and Perth & Kinross Council Audit Committee confirming that adequate and effective governance arrangements were in place throughout Perth & Kinross IJB during the year 2017/18

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APPENDICES

1. Annual Governance Statement 2017/18
2. Transforming Governance Action Plan 2018/19

SECTION 4: ANNUAL GOVERNANCE STATEMENT

INTRODUCTION

The Annual Governance Statement explains Perth & Kinross IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control.

SCOPE OF RESPONSIBILITY

Perth & Kinross IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the IJB has established arrangements for governance that includes a system of internal control. The system is intended to manage risk to support achievement of the IJB's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Perth & Kinross Council systems of internal control that support compliance with both organisations policies and promotes achievement of each organisations aims and objectives including those of the IJB. Assurance has been received from both NHS Tayside and Perth and Kinross Council as to the effectiveness and adequacy of those systems. The systems can only provide reasonable and not absolute assurance of effectiveness.

PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the IJB is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the IJB to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Perth & Kinross IJB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

GOVERNANCE FRAMEWORK

The Board of the IJB comprises voting members, nominated by either NHS Tayside or Perth & Kinross Council, as well as non-voting members including a Chief Officer appointed by the Board.

The main features of the governance framework that was in place during 2017/18 are summarised below:

- The IJB, comprising all IJB Board members, was the key decision making body. The Audit and Performance Committee considered all matters in relation to Internal and External Audit, Risk Management and Performance;
- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of administration, scheme of delegation to officers and financial regulations;
- The IJB's purpose and vision are outlined in the IJB Strategic Plan. Regular progress reports on the delivery of Strategic Plan priorities were provided to the IJB; The arrangements for future Strategic Planning have been agreed by the IJB including the role of the Strategic Planning Group.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the IJB. Regular reporting to Board Members takes place;
- The IJB has adopted a 'Code of Conduct' for all of its Board Members and employees, a register of interests is in place for all Board members and senior officers;
- The IJB has in place a development programme for all Board Members.
- The IJB has established 3 locality planning forums, reflecting the previously agreed local planning areas;
- Financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2010)'. Arrangements include a robust financial planning framework and has established a Budget Review Group to ensure scrutiny of investment and disinvestment proposals.
- The role of the Executive Management Team has been strengthened.
- Increased Clinical Leadership capacity has been established.

SYSTEM OF INTERNAL CONTROL

The governance framework above operates on the foundation of internal controls including management and financial information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability.

The Board uses the systems of NHS Tayside and Perth & Kinross Council to manage its financial records. Development and maintenance of the systems is undertaken by NHS Tayside and Perth & Kinross Council as part of the operational delivery of the Health & Social Care Partnership. In particular the systems include:-

- Comprehensive budgeting systems;

- Setting of targets to measure financial performance
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts;

The wider internal control framework includes:-

- Complaints handling
- Clinical Care Governance monitoring arrangements
- Whistle blowing
- Data Sharing
- Procedural frameworks including Scheme of Delegation; Standing Financial instructions, standing orders, scheme of administration
- Internal Audit Function
- Reliance on procedures, processes and systems of partner organisations

Due to ongoing concerns during 2017, NHS Tayside has been subject to a number of internal (e.g. Internal Audit) and external (e.g. Scottish Government) reviews. A series of actions have resulted to address identified weaknesses, with further review work ongoing. Agreed actions will be monitored locally by NHS Tayside's new leadership team and nationally. A number of the weakness's identified may have an impact on the IJB and its ability to deliver on its Strategic Objectives. In particular the IJB is reliant on strong strategic planning capacity and financial management support. As part of its own review of governance, weaknesses in both strategic leadership capacity and financial management support have been identified.

REVIEW OF ADEQUACY AND EFFECTIVENESS

Perth & Kinross IJB has responsibility for conducting, at least annually a review of the effectiveness of its governance framework including the system of internal control.

The review of the effectiveness of the framework has been informed by:-

- the work of the Executive Management Team who have responsibility for development and maintenance of the governance environment and
- the Annual Report by the Chief Internal Auditor
- Reports from Audit Scotland and other review agencies.
- Self assessment against the Delivering Good Governance in Local Government Framework 2016 Edition (CIPFA)
- Draft Annual Governance Statements for Perth & Kinross Council and NHS Tayside.

The Chief Internal Auditor reports directly to the IJB Audit & Performance Committee on all audit matters, with the right of access to the Chief Officer, Chief Financial Officer and Chair of the Audit & Performance Committee on any matter.

In addition to regular reports to the IJB's Audit & Performance Committee during 2017/18, the Chief Internal Auditor prepares an annual report to the Audit & Performance Committee including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control.

The Internal Audit Annual Report 2016/17, received by the Audit & Performance Committee on 16 June 2017, highlights findings by the IJB's Internal Audit section which indicate some weaknesses in the internal control environment. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinions of the Chief Internal Auditor that the systems of internal control relied upon by the IJB provide reasonable assurance against loss.

ACTION PLAN FOR 2018/19

Significant progress has been made against the 'Transforming Governance' Action Plan agreed for 2017/18. However following a full self assessment process, refreshed actions have now been set out to further strengthen the governance arrangements and these will include:-

- Development of a statement of our vision and values to be developed to become front and centre of all IJB activities moving forward.
- A refreshed annual programme of training and development for IJB Board Members to be agreed.
- An effective strategy for engaging with Perth & Kinross Council Elected members around IJB aims and objectives and the financial outlook to be developed.
- Establishment a collaborative approach to budget negotiation for 2019/20 onwards with NHS Tayside and Perth & Kinross Council.
- Further development of Strategic Delivery Plans for each Care Group including leadership arrangements, performance framework, strategy for engagement with users and carers, agreed programme budget with accountability for delivery of financially sustainable services. Role of Strategic Planning Group to be reaffirmed.
- Finalise the review of risk management and development clear escalation and reporting mechanisms.
- Review of the use of Directions
- Development of Large Hospitals Set Aside arrangements in conjunction with NHS Tayside.
- Strengthen leadership and corporate support capacity through key appointments including Head of Business Planning and Performance.
- Agree appointment of Data Protection Officer for Perth & Kinross IJB and ensure compliance with General Data Protection Regulations.

- Work with the Director of Finance of NHS Tayside to develop an appropriate and effective level of finance support to budget holders tasked with taking forward significant redesign of services.

CONCLUSION AND OPINION ON ASSURANCE

While recognising that improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements.

We consider that internal control environment operating during 2017/18 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment.

Stephen Hay
IJB Chair

28/9/18

Rob Packham
Chief Officer

28/9/18

Annual Governance Statement

Action Plan 2018/19

Ref	Action	SRO	Date
1	Development of a statement of our vision and values to be developed to become front and centre of all IJB activities moving forward.	Chair/CO	31 st July 2018
2	A refreshed annual programme of training and development for IJB Board Members to be agreed.	Chair/CO	30 th June 2018
3	An effective strategy for engaging with Perth & Kinross Council Elected members around IJB aims and objectives and the financial outlook to be developed.	Chair/CO	30 th June 2018
4	Establishment a collaborative approach to budget negotiation for 2019/20 onwards with NHS Tayside and Perth & Kinross Council.	CO/CFO	30 th June 2018
5	Further development of Strategic Delivery Plans for each Care Group including leadership arrangements, performance framework, strategy for engagement with users and carers, agreed programme budget with accountability for delivery of financially sustainable services. Role of Strategic Planning Group to be reaffirmed.	EMT	30 th June 2018
6	Finalise the review of risk management and development clear escalation and reporting mechanisms.	CFO	30 th September 2018
7	Review of the use of Directions	CO	30 th September 2018
8	Development of Large Hospitals Set Aside arrangements in conjunction with NHS Tayside.	CO/CFO/CD	30 th September 2018
9	Strengthen leadership and corporate support capacity through key appointments including Head of Business Planning and Performance.	CFO	30 th July 2018
10	Agree appointment of Data Protection Officer for Perth & Kinross IJB and ensure compliance with General Data Protection Regulations.	CFO	31 st May 2018
11	Work with the Director of Finance of NHS Tayside to develop an appropriate and effective level of finance support to budget holders tasked with taking forward significant redesign of services.	CFO	30 th September 2018