

## Agenda Item: 7



### **INTERNAL AUDIT PLAN 2017/18**

#### **1. PURPOSE OF THE REPORT**

The purpose of this paper is to seek approval of the Annual Internal Audit Plan for Falkirk Integrated Joint Board (IJB) for 2017/18.

#### **2. RECOMMENDATIONS**

The IJB is asked to:

- Approve the 2017/18 annual plan.

#### **3. BACKGROUND**

As stated in the IRAG guidance, it is the responsibility of the IJB to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. In February 2016 Fife, Tayside and Forth Valley Audit and Management Services (FTF) were appointed as the IJB's Internal Audit Service.

Resources to deliver the plan will be provided by the NHS Forth Valley and Falkirk Council Internal Audit services. A total of 55 days have been included in the 2017/18 Internal Audit Plans of the parties.

The 2016/17 Internal Audit Plan stated that *'Within the first year, we will identify areas for inclusion within the audit universe and develop a 3 year strategic audit plan congruent with the IJB's risk register.'* However, it is now clear that the development of a 3 year plan would not be appropriate given the emergent nature of the IJB, the continuous development and understanding of the control and risk environment in which the IJB operates and the changing needs of the organisation. It has therefore been concluded that the discretionary elements of this year's plan will be focused around the Falkirk IJB's Strategic Risk Register, with individual topics also informed by the professional views of the IJB Chief Officer and Chief Financial Officer and the Chief Internal Auditors of both parties.

It also takes account of assurance which can be provided to the IJB based on work performed under the Internal Audit plans of both parties.

We would highlight that the plan is predicated on the basis that operational controls over services are maintained and assured through the parties. As such, the Internal Audit plans of NHS Forth Valley and Falkirk Council are included as Appendices A & B to this report.

The audit plan is designed to provide the Chief Internal Auditor with sufficient evidence to form an opinion on the adequacy and effectiveness of internal controls.

The draft operational plan for 2017/18 has been designed to target the priority issues identified by our assessment of risk. The plan includes the delivery of standard products required each year, and is further based on professional judgement of the IJB risk environment. We therefore assessed audit need based on the IJB's own strategic risks as well as areas for improvement noted in the Governance Statement, our findings from our 2016/17 Annual Internal Audit Report and benchmarking with other IJBs. We have also discussed the proposed plan with the Chief Officer and Chief Finance Officer to ensure the substantive audit assignments add value.

The proposed plan is set out below:

Ref	Audit	Indicative Scope	Days	Target Audit Committee
FK01-18	Audit Planning	Agreeing audit universe and preparation of strategic plan	3	September 2017
FK02-18	Audit Management	Liaison with managers and Directors and attendance at Audit Committee	6	Ongoing
FK03-18	Annual Internal Audit Report	CIA's annual assurance statement to the IJB and review of governance self-assessment	6	June 2018
FK04-18	Risk Management	Review of systems of risk management, assessment of risk maturity and consideration of assurance mechanisms for key controls	10	tbc
FK05-18	Assurance Framework	Advice on development of Assurance Framework and review of committee effectiveness	10	tbc
FK06-18	Capacity	<p>This audit will review the IJB's capacity to implement its strategic priorities and affect service change.</p> <p>This high level review will assess programme management and programme governance of the overall suite of redesign projects, with a focus on ensuring that:</p> <ul style="list-style-type: none"> <li>• they incorporate key strategic objectives and the mitigation of the relevant risk from the IJB Strategic risk register as identified below;</li> <li>• there are arrangements to ensure that projects are appropriately planned, that progress is monitored and appropriate remedial action taken where required;</li> <li>• the IJB has access to resources sufficient to deliver its service redesign objectives</li> </ul>	10	tbc
FK07-18	Financial Governance	Medium term financial planning, monitoring and reporting	10	tbc

Work to deliver the internal audit plan is undertaken under the supervision of the Chief Internal Auditor. An Internal Audit Joint Working Protocol has been agreed by the Internal Auditors of both parties as has the draft Protocol for sharing Internal Audit Outputs which will be presented to the next meeting of the Audit Committee.

#### 4. CONSULTATION

The Chief Officer, the Chief Finance Officer and the Internal Audit Manager of Falkirk Council have been consulted on the content of this paper. The draft plan has also been issued to the IJB's external auditors for comment.

**A Gaskin BSc ACA**  
**Chief Internal Auditor**

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Audit Need Assessment based on Falkirk IJB Strategic Risk Register as at March 2017					
	Risk Title / Description	Lead	Inherent (Current) Risk	Net (Target) Risk	Internal Audit coverage 2017-18
<b>SHORT-TERM PRIORITIES: SIGNIFICANT INTEGRATION UNCERTAINTIES / CHALLENGES</b>					
1	<p><b>1.Financial Stability and Commissioning</b> (including sustainable capacity across all sectors, and co-location / sharing of teams and assets)</p> <p><b>Risks</b></p> <p>a)Current projected overspend within in-scope social care services</p> <p>b)Delivery of 16/17 saving programmes</p> <p>c)Full year effect of implementing Living Wage</p> <p>d)Delivery of the relevant elements of NHS Scotland Outcomes Framework within reduced resources</p> <p>e)Continued uncertainty relating to some Scottish Government allocation where the delivery of outcomes will lie within functions delegated to the IJB</p> <p>f)Delivery of Alcohol and Drug services within reduced financial envelope</p> <p>g)Potential recurrent shortfall relating to investment of Partnership Funding Streams</p> <p>h)Implementation of major service redesign and significant service change</p>	<b>Chief Financial Officer</b>	High	High	<p>Included? Yes Financial Governance</p> <p><u>Rationale</u></p> <p>High risk area with target risk remaining High after planned additional mitigation / actions</p> <p><u>Any previous audit coverage</u></p> <p>No</p> <p><u>Other relevant assurance</u></p> <p>No</p>
2	<p><b>2.Leadership, Decision Making and Scrutiny</b> (including effectiveness of governance arrangements and potential for adverse audits and inspections)</p> <p><b>Risks</b></p> <p>Failure to establish effective governance structures and to implement them effectively. This could result in failing to comply with legislation and inability to deliver Strategic Plan outcomes, and criticism by audit and inspection bodies.</p>	<b>Chief Officer</b>	High	High	<p>Included? Yes Accountability &amp; Risk</p> <p><u>Rationale</u></p> <p>To provide an assessment of the IJB's risk maturity which is a necessary precondition for risk based internal audit</p> <p><u>Any previous audit coverage</u></p> <p>Included in Internal Audit annual reports 2015/16</p>

Audit Need Assessment based on Falkirk IJB Strategic Risk Register as at March 2017					
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					<p>and 2016/17.</p> <p>Elements of Risk management were incorporated within FK05-17 Strategic Planning which stated that the effectiveness of all risk management arrangements would be subject to a detailed review as part of the 2017/18 Internal Audit Plan.</p> <p><u>Other relevant assurance</u></p> <p>NHS Forth Valley internal audit plan 2017/18 includes Governance Overview , Improvement, innovation and operational planning, and Risk Management audits</p> <p>Falkirk Council internal audit plan 2017/18 includes audit on Council of the Future – Assurance Role and Code of Corporate Governance</p>

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3	<p><b>3.Performance of the IJB Risks</b>            Failure to implement the Performance Management Framework and thus:            a)assure the IJB of progress with the delivery of the Strategic Plan            b)achieve the legislative requirements in terms of monitoring against the National Outcomes and Core Indicator set</p>	<b>Performance Workstream Lead</b>	High	Low	<p>Included? No</p> <p><u>Rationale</u></p> <p>Some initial coverage in FK05/17 – Strategic Planning.</p> <p>Regular reporting to the IJB on this area and included in the Governance Action Plan. Performance reports presented to the IJB during 2016/17 were largely aligned to the guidance with some areas currently under development.</p> <p><u>Other relevant assurance</u>            NHS Forth Valley internal audit plan 2017/18 includes Organisational Performance Management</p>
<b>MEDIUM-TERM PRIORITIES: HIGH RISKS, BUT ARE CURRENTLY WELL MANAGED BY PARTNERS</b>					

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4	<p><b>4. Culture / HR Management / Workforce Planning</b> (including developing culture, behaviours, and values; sustainable change skills / capabilities, and absence) <b>Risks</b></p> <p>a) The lack of a consistent approach across all partners to workforce planning for the in scope workforce is a potential risk</p> <p>b) Change can unsettle staff and impact on levels of performance: potential that performance reduces, mistakes are made, and absence rates increase</p> <p>c) Negative impact on industrial relations as a result of inadequate communication/ consultation</p> <p>d) Recruitment, retention, and the need to build multi-disciplinary teams</p>	<b>HR Work Stream Lead</b>	High	Low	<p>Included? No</p> <p><u>Rationale</u></p> <p>It is anticipated that effective controls should take the risk rating from high to low. Area will be covered in parent body audits.</p> <p>Development programme and training for members will be covered in FK05-18 Assurance Framework</p> <p><u>Any previous audit coverage</u></p> <p>No</p> <p><u>Other relevant assurance</u></p> <p>NHS Forth Valley internal audit plan 2017/18 includes Workforce planning including capable and effective workforce</p> <p>Falkirk Council internal audit plan 2017/18 includes Recruitment and Selection</p>

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5	<p><b>5. Experience of a) Service User and b) Unpaid Carers</b> (including engagement, feedback, and complaints. Key challenges: measuring and evidencing change)</p> <p><b>Risks</b></p> <p>a) Fail to engage adequately and fully with stakeholders, in particular those harder to reach groups</p> <p>b) Fail to adequately plan and delivery services as a result of limited communication, engagement and participation with stakeholders</p> <p>c) Fail to take into account the needs of stakeholders</p> <p>d) Fail to have identified lead who can develop and follow through Participation and Engagement Strategy</p>	<p><b>Participation and Engagement Work Stream Lead</b></p>	High	High	<p>Included? No</p> <p><u>Rationale</u></p> <p>Covered in FK05-17 (as detailed below). Benefit from completing further work in year considered to be limited.</p> <p><u>Any previous audit coverage</u></p> <p>Local Outcome 4 - Service User Experience – people have a fair and positive experience of health and social care was covered in FK05-17. Focus was on the Participation and Engagement Strategy</p> <p><u>Other relevant assurance</u></p> <p>Falkirk Council internal audit plan 2017/18 includes Public Protection (Children &amp; Adults) - Governance</p>

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6	<p><b>6. Information Management and Governance</b> There is a risk that the Forth Valley IJBs have insufficient information assets and governance arrangements to provide the right people, with the right information, when they need it. This includes potential weaknesses in:</p> <p><b>a) Information and Communications Technology (ICT)</b> – such as systems / infrastructure: There is a risk that the IJBs lack the technical ability to share information effectively across the IJBs. This could be because e.g. ICT assets are not sufficient, sustainable, secure, or fit for purpose. This includes potential weaknesses in asset and resource planning, business continuity, or security.</p> <p><b>b) Information Governance</b> There is a risk that the IJBs' Information Governance arrangements (i.e. how we share information) are unclear or poorly embedded. This could result in the IJB failing to meet its legal duties, or not preparing sufficiently for changing regulations, e.g. data protection and records management.</p> <p><b>c) Information Management Strategy and Demand Planning</b> (ICT and IG risks) There is a risk that information specialists are not clear what the IJBs priorities are, which may mean that they are unable to effectively plan for and meet these needs. Also, FV partners' information strategies and plans may not be clear, embedded, or effectively aligned with the IJBs' priorities. There is also a risk that partners have insufficient resources, capacity, and expertise to deliver the services delivered by the IJB. This includes uncertainties relating to the funding, support, and resources to develop a Clinical Portal, and delays in implementing Support Services' Agreements.</p>	Information Work-stream Lead - Jonathan Procter	High	High	<p>Included? Partially – aspects around capacity will be considered within the planned Capacity audit.</p> <p><u>Rationale</u></p> <p>It is anticipated that implementation of the General Data Protection Regulation and Business Continuity will be covered in the 2018/19 plan</p> <p><u>Any previous audit coverage</u></p> <p>FK05 – Strategic Planning covered Information Sharing Protocols</p> <p><u>Other relevant assurance</u></p> <p>NHS Forth Valley internal audit plan 2017/18 includes Information Security Framework, eHealth Project Management, Development, Procurement, Implementation and Training and Data Quality</p> <p>Falkirk Council internal audit plan 2017/18 includes Cyber Security</p>

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<b>LONG-TERM PRIORITIES</b>					
7	<p><b>7. Effective Links with Other Partnerships</b> (e.g. Community Planning, Third and Voluntary sectors, Criminal Justice, and Housing)</p> <p><b>Risks</b> There is a risk of lack of cohesive planning between partners. This could lead to ineffective use of staff resources, and potential failure to meet Strategic outcomes.</p>	Chief Officer	High	Low	<p>Included? No</p> <p><u>Rationale</u></p> <p>FK05-17 covered Strategic Planning.</p> <p>Area in progress with the Strategic Planning Group remit recently refreshed and this topic would best be reviewed once settled arrangements are in place and operating for a period sufficient to allow meaningful assessment.</p> <p><u>Any previous audit coverage</u></p> <p>FK05-17</p> <p><u>Other relevant assurance</u></p> <p>None</p>

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8	<p><b>8. Harm to Vulnerable People / Public Protection / Clinical Care</b> (including patients and Service users, staff and Volunteers, and c) Unpaid Carers)</p> <p><b>Risks</b> There is a risk of harm to people, due to the IJB failing to meet its' statutory clinical care, Adult Support and Protection, and public protection duties, which could lead to:</p> <p>a) Death or serious harm to a vulnerable person b) Significant case reviews, prosecution or other legal interventions c) Potential compensation claims external criticism / intervention (e.g. Care Inspectorate or Criminal Justice Authority) d) Reputational damage to the IJB (and individual partners)</p> <p>In the NHS, there are a large number of clinical incidents which have a significant impact on individuals, but good controls are place to mitigate the impact on the NHS. In the Council, there is the potential for harm to vulnerable people, despite effective public protection arrangements being in place. This could have a significant impact on the IJB and Council's reputation (even if the likelihood is low and subsequent enquiries establish that the Council were unable to prevent the incident).</p> <p>In the Council, there is the same risk of potential harm to vulnerable young people and adults which would have the same risks as outlined above for the IJB (even if the likelihood is low and subsequent enquiries establish that the Council were unable to prevent the incident).</p> <p><b>Note - October 2016</b> The risks were agreed by the Lead Officers before the Oct 2016 IJB Risk Update, and Lead Officers agreed to provide the IJB with more information as soon as possible – including measureable actions.</p>	Chief Social Work Officer and Medical Director	High	High	<p>Included? No</p> <p><u>Rationale</u></p> <p>Covered in FK07-17 Clinical &amp; Care Governance</p> <p>It is anticipated that the current controls and planned additional actions will mitigate the risk from high to low</p> <p><u>Any previous audit coverage</u></p> <p>As above</p> <p><u>Other relevant assurance</u></p> <p>Falkirk Council internal audit plan 2017/18 includes Public Protection (Children &amp; Adults) - Governance</p>

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9	<p><b>9. Self-Management / Independent Living</b> (including the effectiveness of prevention activities and support for unpaid carers)</p> <p><b>Risks</b></p> <p>a) Reablement ethos is not effectively defined, developed or communicated to all stakeholder, including service users, their carers and families and communities and therefore is not embedded within practice.</p> <p>b) Reablement services are developed in isolation of one another and out-with a whole systems approach.</p> <p>c) Investment in reablement services does not support the implementation of agreed model/approach and promotes siloed service delivery.</p>	<p><b>Community Services Directorate, General Manager and Head of Social Work Adult Services</b></p>	High	Medium	<p>Included? No</p> <p><u>Rationale</u></p> <p>Whilst an important area of high risk, this area would best be covered in future years as part of consideration of the preparation and delivery of the refreshed IJB Strategic Plan,</p> <p><u>Any previous audit coverage</u></p> <p><u>Other relevant assurance</u></p> <p>Audit Scotland recently released 'Self-directed support: 2017 progress report', which included a self-assessment checklist for IJB Board members. We would expect this report and the associated checklist to be considered by the IJB in order to provide assurance on this area.</p>

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10	<p><b>10. Service Demand Risks</b></p> <p>There is a risk of a lack of effective demand planning, monitoring, and co-ordination amongst partners. This could result in gaps in resources (including financial, workforce, asset, and information resources) to meet the needs of Service Users.</p>	<b>Chief Financial Officer</b>	High	Low	<p>Included? Yes - Capacity</p> <p><u>Rationale</u> This is a key area with the potential for immediate impact on the achievement of the IJB's objectives.</p> <p><u>Any previous audit coverage</u></p> <p>No</p> <p><u>Other relevant assurance</u></p> <p><u>None</u></p>