

**FALKIRK IJB  
INTERNAL AUDIT SERVICE**



**ANNUAL INTERNAL AUDIT REPORT**

**2016/2017**

Issued To: P Cassidy, Chief Officer  
A Templeman, Chief Finance Officer  
E Murray, Interim Chief Finance Officer  
  
E Vanhegan, Head of Performance & Governance, NHS Forth Valley  
  
Falkirk Integration Joint Board  
Falkirk Integration Joint Board Audit Committee  
External Audit- Ernst & Young

Date: 27 July 2017

## **ANNUAL INTERNAL AUDIT REPORT 2016/17**

### **INTRODUCTION AND CONCLUSION**

1. Legislation to implement health and social care integration came into force on 1 April 2016, following the Public Bodies (Joint Working) (Scotland) Act 2014.
2. 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.
3. This guidance states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.
4. 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.
5. 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.
6. 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.
7. 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 2016/17.
8. This review examined the framework in place during the financial year 2016/2017 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
9. The Internal Audit 2015/16 IJB Annual Report 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. While the challenges to describing the new HSCI relationships and governance arrangements are well understood by the parties, there remains a need to establish and document a clear, consistent and coherent understanding of HSCI risks and accountabilities, so that comprehensive assurance systems can be developed which reflect shared understanding, minimise duplication as far as possible and ensure there are no omissions.
10. Whilst not all key principles were formally agreed by year-end and there is no formal agreement setting out the precise responsibilities of the IJBs, Forth Valley NHS Board and the Councils in relation to operational activities and the exact nature of the delegation of functions to the IJBs, significant progress has been made.
11. As IJBs continue to evolve it is important that there is clarity around these issues particularly in relation to the provision of assurances and risk management as well as a clear understanding around the tripartite roles of IJB Chief Officers.
12. The IJB has produced a draft Governance Statement which includes areas identified for development in 2017/18.
13. As Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2016/17.
14. Based on work undertaken I have concluded that:
- **Reliance can be placed on the IJBs governance arrangements and systems of internal controls for 2016/17.**
15. 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**
16. The IJB is asked to **note** this report in evaluating the internal control environment for 2016/17 and **consider** any actions to be taken on the issues reported for consideration.

## INTERNAL CONTROL

17. FTF was appointed as the IJB's Internal Audit Service in February 2016. We can confirm that FTF complies with the Public Sector Internal Audit Standards (PSIAS). The 2016/17 internal audit plan was approved by the IJB Audit Committee in August 2016. Audits have been completed, in partnership with the Falkirk Council Internal Audit Service, sufficient to allow the Chief Internal Auditor to provide his opinion on the adequacy and effectiveness of internal controls.
18. 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. Internal Audit validated the assessments reached through discussion with management and examination of the supporting evidence and documentation.
19. Based on our validation work, we can provide assurance on the following key arrangements in place by 31 March 2017; as well as ongoing and planned work in 2017/18. Based on our assessment, we also recommend further issues for consideration by management.
20. Our evaluation of the IJB's Governance Framework is summarised below.

Corporate Governance
Key arrangements in place as at year end 2016/17
<ul style="list-style-type: none"> <li>• The Integration Scheme was approved by the Cabinet Secretary for Health, Wellbeing and Sport in August 2015.</li> <li>• Operational responsibility for Community Mental Health and Community Learning Disability Services transferred to the IJB Chief Officers on 1 February 2017, and the scoping work for the next phase of operational transfer to Chief Officers is underway.</li> <li>• Standing Orders were approved in November 2015 but were not updated in November 2016 as planned.</li> <li>• The Scheme of Delegation (SoD) was approved by the IJB on 30 March 2017. Falkirk Council and NHS Forth Valley SoDs were also updated in March 2017 to reflect delegation to the Chief Officer.</li> <li>• The extant Code of Conduct was approved at the June 2016 meeting.</li> <li>• The standard template for IJB papers includes a Conclusions section which sets out Resource Implications, Impact on IJB Outcomes and Priorities and Legal &amp; Risk Implications. Where assumptions or scoring mechanisms are used the basis of these is described within papers.</li> <li>• The IJB considered the Audit Scotland report 'Changing Models of Health &amp; Social Care' in June 2016.</li> <li>• The IJB Audit Committee agreed their Terms of Reference in June 2016 and met again in September 2016 and in February 2017. Standing agenda items included the Internal Audit progress report, the Governance Action Plan and Updates on</li> </ul>

Annual Accounts Planning and Year End assurance.

- The Internal Audit plan for 2016/17 was approved at the August 2016 IJB meeting and at the September 2016 Audit Committee meeting.
- The appointed External Auditors are Ernst & Young LLP (EY) and the External Audit annual plan was approved at the February 2017 Audit Committee.
- The IJB approved the 'Forth Valley IJBs' Risk Management Strategy' in March 2016. This was replaced by the 'Falkirk IJB Risk Management Strategy', approved by the IJB in March 2017. The extant Risk Management Strategy included the revised Falkirk IJB reporting structure and the revised NHS Forth Valley assurance, accountability and reporting structure.
- The Strategic Risk Register was approved in June 2016 and updated versions were presented to the IJB in October 2016 and March 2017.
- On 24 March 2016 the IJB agreed the Strategic Plan, subject to the financial statement being finalised following the agreement of the NHS Forth Valley budget on 29 March 2016.
- Internal Audit FK05-17 – Strategic Planning concluded that the approved Strategic Plan complied with relevant guidance, with some minor recommendations for improvement agreed by management.
- A Strategic Planning Group is in place and a review of the role and remit is ongoing.
- The IJB approved the Market Facilitation Plan in August 2016 and agreed that an update on objectives would be produced in line with the annual review process for the Strategic Plan.
- The Strategic Outcomes and Local Delivery Plan (SOLD) Plan 2016-2020 comprises four strategic priorities and six local outcomes. Falkirk IJB has a lead role in the delivery of one priority and one outcome and contribution to others. The final SOLD was approved in August 2016 and the February 2017 IJB noted the requirement to ensure there is no duplication between the Strategic Plan and the SOLD.
- The IJB has representation on the CPP leadership groups of the Community Planning Partnership and the Chief Officer is a member of the Executive group and is the lead for the Mental Health Priority and local outcome relating to the Strategic Plan.
- The Performance Management Framework was approved in March 2016 and the November 2016 IJB received the first full update report. Internal Audit FK05-17 concluded that the Performance Framework and the IJB performance reports were largely aligned national guidance, with some areas currently under development.
- The Chief Officer provided a comprehensive update report to each IJB meeting and the IJB received regular reports on progress against the national target that no-one who is ready for discharge should be delayed by more than 2 weeks.
- The IJB approved the Communications Action Plan in June 2016.

**Developments in place or planned by management**

- When the SoD was updated in March 2017 it was noted that it would require early review as partnership arrangements develop by 31 March 2018.
- The Chief Officer is taking further development of partnership arrangements,

including operational delegation of NHS services with Chief Executives and update will be provided to future IJB meetings.

- The 2017/18 Internal Audit Plan will be presented to the August 2017 Audit Committee for approval.
- A draft Governance Statement has been prepared for 2016/17 as part of the annual accounts process and will be presented to the IJB in August 2017;
- Self Assessments in relation to the four Audit Scotland reports; Health and Social Care Integration (December 2015); Changing Models of Health And Social Care (March 2016); Social Work in Scotland (September 2016); NHS in Scotland (October 2016), were presented to the IJB Audit Committee in February and March 2017. Self Assessments detail the position against key report recommendations, and improvement actions with a lead officer and timescale are identified for some, but not all actions. Management have informed us that implications in relation to the recommendations will be considered as part of future delivery planning for the partnership.
- On 5 June 2016 the IJB approved recommendations to establish a Local Delivery Plan for the implementation of the Strategic Plan and a Leadership Group to develop a Recovery Plan in response to budget pressures. As highlighted in the Chief Officers report to the 30 March 2017 IJB, the Local Delivery Plan was scheduled to be presented to the June 2017 IJB meeting. However, to allow incorporation of work on whole system mapping and medium term planning, the Local Delivery Plan will now be presented to a later IJB. Interim updates will be provided to the IJB through the Chief Officer's report.
- As reported to the 16 June 2017 IJB, a year end position against the National Outcomes and National Core Integration Indicators will be presented in the Partnership Annual Report in August 2017.
- Appointment of a Chair and membership of the Audit Committee is under consideration following the May 2017 Local Government elections.
- As reported to the March 2017 IJB, Lead Officers for each risk on the revised Strategic Risk Register had provided an update on their risks and will provide quarterly updates to the Leadership Group for monitoring and controls / mitigation, to the IJB Audit Committee for scrutiny and assurance and to the IJB Board for approval of the Strategic Risk Register.
- As agreed by the March 2017 IJB, a Risk Improvement Plan will be developed by October 2017 and will be reviewed 6-monthly by the Leadership Group, with updates provided to the IJB Audit Committee and the IJB.
- Internal Audit will carry out a detailed review of Risk Management arrangements in late 2017/18.
- The Performance Management Workstream will oversee work on the outputs of both the logic modelling exercise and whole system mapping over summer 2017.
- The issuing of final 2016/17 directions to Falkirk Council and NHS Forth Valley was approved by the IJB on 19 June 2017. Current directions are high level and Management have informed us that further consideration will be required, linked to development of medium term financial strategy, and will require to consider, where applicable, the Good Practice notes.

**Recommended further issues for consideration by management**

- Standing Orders scheduled for update in November 2016 should be reviewed

and updated.

- Formally agreed assurance arrangements should include consideration of reporting lines and the flow of assurance including any officer and governance groups in place. The Assurance Framework is in development and should clearly set out these arrangements, including how assurance is drawn from constituent authorities internal control systems.
- Workplans/reporting schedules should be developed for the IJB and its Standing Committees, showing when items of business require to be considered to deliver their purpose and remit of the IJB as well as any additional reporting agreed by members;
- The Self Assessments in relation to the four Audit Scotland reports which are regularly presented to Audit Committee should be updated to include improvement actions, lead officer and timescales for all actions.
- The revised Risk Management Strategy states that where an operational risk affects multiple units and/or requires more senior leadership, it should be escalated to the senior leadership group and proposed to be treated as corporate risks. This is a change to the previous Risk Management Strategy which stated that operational risks should be escalated to the parties CMT. Management should ensure that the Risk Management Strategy as a whole, and arrangements for management of operational risks in particular, are consistent with the Risk Management Strategies of the parties.
- All agreed recommendations from Internal Audit report FK05-17 - Strategic Planning should be progressed and monitored.

## Clinical & Care Governance

### Key arrangements in place as at year end 2016/17

- The Clinical and Care Governance Framework (CCGF) was approved at the March 2016 IJB meeting and will be further developed over time.
- The Falkirk Clinical & Care Governance Group has had several informal meetings and two formal meetings, with an update on the first formal meeting provided to the IJB in December 2016.

### Developments in place or planned by management

- Internal Audit FK07-17- Clinical Governance & Care Assurance is ongoing and will review responsibilities, accountabilities between the parties, and implementation of the Clinical, Care & Professional Governance Framework.
- The role and remit of the Clinical and Care Governance Committee is under review.
- On 3 February 2017 the IJB was updated on changes to the existing system for reviewing complaints about social work provision, effective from 1 April 2017. Complaints information on services is presented within the Performance Reporting Framework and Management have informed us that further discussions are ongoing about monitoring arrangements for health and integrated functions where these relate to Falkirk residents. The IJB Model Complaints Handling Procedure was presented to the 16 June 2017 IJB.

<b>Recommended further issues for consideration by management</b>
<ul style="list-style-type: none"> <li>Neither the CCGF nor the IJB's Performance Management Framework are prescriptive with regard to provision of clinical governance assurances and therefore Clinical &amp; Care Governance responsibilities and lines of accountability between the parties and the IJB should be clearly documented, particularly in relation to delegated services.</li> <li>Management should liaise with the parties to ensure that appropriate Clinical &amp; Care Governance annual assurances are provided to them.</li> <li>A clear, fully resourced plan to implement the CCGF should be put in place and monitored.</li> <li>The Clinical and Care Governance Framework refers to the Clinical Care Governance Group providing oversight, including review and scrutiny of 'Significant adverse events including significant case reviews. The Adverse Event Management system for the IJB should be agreed.</li> </ul>

<b>Staff Governance</b>
<b>Key arrangements in place as at year end 2016/17</b>
<ul style="list-style-type: none"> <li>The IJB approved the Development Programme in August 2016 and Board Development sessions in 2016/17 covered ways of working, including effective challenge and decision making. The programme is currently being refreshed.</li> <li>The Falkirk Health and Social Care Partnership Integrated Workforce Plan was approved by the IJB in November 2016 and is currently under review. A workshop on 9 February 2017 provided an opportunity for Human Resources, Organisational Development staff and operational managers to consider workforce issues, needs and opportunities.</li> <li>Deputising arrangements for the Chief Officer in the long term are set out in the Integration Scheme and the Head of Adult Services, Chief Finance Officer or Programme Manager deputise for the Chief Officer as appropriate for leave or short term absence.</li> <li>The Chief Officer provided an update on Support Services to the August 2016 IJB. Committee support for the IJB is now provided by NHS Forth Valley.</li> </ul>
<b>Developments in 2016/17- in place or planned by management</b>
<ul style="list-style-type: none"> <li>Management have informed us that a comprehensive support services agreement needs to be completed, agreed between the constituent authorities and presented to the IJB for approval.</li> </ul>
<b>Recommended further issues for consideration by management</b>
<ul style="list-style-type: none"> <li>As set out in the Integration Scheme, the annual review of the support function should be carried out to inform the proposed support services agreement.</li> </ul>



<b>Financial Governance</b>
<b>Key arrangements in place as at year end 2016/17</b>
<ul style="list-style-type: none"> <li>• The summary financial position relating to IJB budgets for the year ended 31 March 2017 was a net overspend of £0.103m consisting of: <ul style="list-style-type: none"> <li>○ £0.585m underspend on budgets delegated to Falkirk Council;</li> <li>○ £0.688m overspend on operational and universal services budgets delegated to NHS Forth Valley which has been matched non-recurrently by release of contingency funding from NHS Forth Valley to bring into a balanced position per the terms of the integration scheme relating to the first year of operations only.</li> </ul> </li> </ul> <p>The net effect of the above was, with the exception of the set-aside budget for large hospital services, to bring the partnership into financial balance for the year.</p> <ul style="list-style-type: none"> <li>• The Financial Regulations were approved in March 2016 and the updated version, with no substantive changes required were noted by the 27 February 2017 Audit Committee, which also recommended that the Reserves Policy and Strategy in the report for approval by the IJB in line with 2017/18 budget setting.</li> <li>• The budget was established based on an agreed methodology consistent with IRAG guidance. Management are aware that the partnership will require to more closely align investment to Strategic Plan priorities and any proposals presented to the IJB need to demonstrate this, along with resource implications.</li> <li>• Financial reporting arrangements were developed based on a reporting protocol agreed via the Forth Valley wide Finance Workstream. The audit trail of any changes in partnership budgets is contained within IJB finance reports and the risk register reflects the strategic financial risks identified at budget setting.</li> <li>• The IJB approved the Recovery plan to address the projected overspend on 3 June 2016. The CFO provided each IJB meeting with the Financial Report and Budget Recovery Plan Update.</li> <li>• Each IJB meeting was provided with a Partnership Funding report, detailing progress relating to the Integrated Care Fund and Delayed Discharge Fund.</li> </ul>
<b>Developments in place or planned by management</b>
<ul style="list-style-type: none"> <li>• The Interim CFO is cognisant of the requirement to develop reporting in relation to set-aside budget.</li> <li>• The Interim CFO continued to have responsibility for year end work and transitional arrangements were in place until the permanent CFO took up post on 1 July 2017.</li> <li>• The Interim CFO job description was focused on development of financial reporting systems and the job description for the permanent CFO post has been reviewed and revised to include a broader span of responsibilities.</li> </ul>
<b>Recommended further issues for consideration by management</b>
<ul style="list-style-type: none"> <li>• Management should ensure that the job description for the CFO is in compliance with the CIPFA statement on the role of the CFO and a process should be put in place to demonstrate annual compliance with the CIPFA statement on the role of the CFO.</li> </ul>

- Nationally, consideration is being given to the efficacy of current arrangements for delegating appropriate Large Hospital budgets, including set aside budgets, to Integration Authorities. A plan for Large Hospital Services specifically linked to the IJBs responsibilities in relation to unscheduled care should be developed and the IJB should be kept informed of any further national guidance or policy.

Information Governance
<b>Key arrangements in place as at year end 2016/17</b>
<ul style="list-style-type: none"> <li>In March 2016 the IJB approved an 'Information Governance' which stated that <i>'the Council and the Health Board are already party to the Forth Valley Accord which sets out high level information sharing principles and governance arrangements'</i>.</li> <li>Responsibility for the strategic co-ordination and monitoring of information governance arrangements was delegated by the Governance Workstream to the Information Governance Working Group (IGWG) and Data Sharing Partnership Group (DSPG).</li> </ul>
<b>Developments in 2016/17- in place or planned by management</b>
<ul style="list-style-type: none"> <li>The Scottish Accord on the Sharing of Personal Information (SASPI) guidance sets out high level principles for sharing personal information. The Scottish Information Sharing Toolkit was developed by the Scottish Government in April 2016 as an evolution of the SASPI and provides a framework to support the legal, safe, and confident sharing of personal information.</li> </ul>
<b>Recommended further issues for consideration by management</b>
<ul style="list-style-type: none"> <li>Internal Audit FK05-17 details recommendations in relation to information sharing. are</li> </ul>

## ACKNOWLEDGEMENT

- 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 this challenging first year.

A Gaskin, BSc. ACA  
Chief Internal Auditor

Ref.	Finding	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
1.	Our evaluation of the IJB's governance framework has identified planned improvements for 2017/18 as well as further issues for consideration by management.	We would recommend that an action plan setting out a timetable for implementation is drawn up by officers and approved and monitored by the IJB or an appropriate governance committee.	2	Agreed.	Chief Finance Officer September 2017