

## **Agenda Item 4**

# **Internal Audit Annual Report 2018/19**



**Title:** Annual Internal Audit Report 2018/19  
**Meeting:** Audit Committee  
**Date:** 27 June 2019  
**Submitted By:** Chief Governance Officer  
**Action:** For Noting

## **1. Introduction**

- 1.1. This report provides, as an appendix, annual internal audit report for financial year 2018/19.

## **2. Recommendation**

- 2.1. **It is recommended that the Audit Committee notes the internal audit report for financial year 2018/19.**

## **3. Background**

- 3.1. This report summarises the internal audit activity carried out during 2018/19. Included within the report is a list of 8 findings along with audit recommendation, priority, management response/action and action by/date.

## **4. Conclusions**

- 4.1. The annual internal audit report is provided as an appendix to this report.

### **Resource Implications**

There are no resource implications arising from the report recommendations.

### **Impact on IJB Outcomes and Priorities**

There is no impact resulting from the report recommendations.

### **Legal & Risk Implications**

There are no legal or risk implications arising from the report recommendations.

### **Consultation**

No consultation was required on the report recommendations.

### **Equalities Assessment**

There are no equalities impacts arising from the report recommendations.



---

Submitted by: Chief Governance Officer, Falkirk Council

**Author – Jack Frawley, Committee Services Officer**

**Date: 25 June 2019**

Appendix 1 – Annual Internal Audit Report 2018/19

**List of Background Papers:** No background papers were relied on in the preparation of this report.

**FALKIRK IJB  
INTERNAL AUDIT SERVICE**



**ANNUAL INTERNAL AUDIT REPORT**

**2018/2019**

Issued To: P Cassidy, Chief Officer  
A Templeman, Chief Finance Officer

S Kavanagh, Corporate Governance Manager, NHS Forth Valley  
C Moodie, Head of Governance, Falkirk Council

Falkirk Integration Joint Board  
Falkirk Integration Joint Board Audit Committee  
G O'Connor, Internal Audit Manager, Falkirk Council  
External Audit

Date Issued: 25 June 2019

## ANNUAL INTERNAL AUDIT REPORT 2018/19

### 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 2018/19.
6. This review examined the framework in place during the financial year 2018/19 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

## EXECUTIVE SUMMARY

7. Although this annual report is directed for the attention of the IJB, it is recognised that, as with any partnership working, progress can only be made with the engagement and support of partner organisations.
8. 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 partner organisations, and thereafter flow through to risk management and assurance arrangements. The IJB received updates on integrated management structures in February and April 2019 but much more is needed to clarify arrangements with partner bodies. For example, this is particularly the case as the transfer of operational management of NHS services progresses and further clarification of clinical and care governance assurance reporting is needed. Work on integrated structures has been ongoing for some time and has been a particular focus of the IJB this year.
9. The IJB and partners now need to focus on how this structure will deliver the required assurances on service delivery, performance, risk management and governance. Groups and committee remits must link to strategic priorities and follow a structured work programme to allow consideration of the performance information that gives the IJB a clear indication of how its strategic objectives are progressing, and how resources are being used to deliver these objectives. In order to deliver substantial transformation and build on local examples of service redesign, the IJB will need clear governance arrangements that support the IJB's capacity to deliver this change and its ability to provide strong directions to its partner bodies.
10. Internal Audit draft report FK05/19 – Assurance Mapping will confirm that Falkirk IJB has made good progress in getting the basic structure of its governance arrangements in place. However, the pace of agreement of these arrangements has not been as expected, as identified within the IJBs own self assessment in 2017/18 and through both internal and external audit recommendations. The IJB has been through a period of development as the integration landscape takes shape and relationships and structures with partner organisations now need to quickly mature to allow the IJB to enact wider scale change. We would expect that after three years of operating, stronger evidence of partnership working and integration of services would start to emerge.
11. The need for immediate governance improvements has crystallised through the publication of the Ministerial Strategic Group (MSG) for Health and Community Care *'Review of Progress with Integration of Health and Social Care, Final Report, February 2019'*, following the Audit-Scotland report *'Health and Social Care Integration – an update on progress'* it is clear that many issues affecting the capacity and governance of IJBs are replicated across Scotland.
12. Following completion of online surveys (completed by members of the IJB, Strategic Planning Group and HSCP Leadership Team) and a Board Development Session, the final self assessment return was provided to SGHSCD on 15 May and to the IJB Board on 7 June 2019.

13. This Falkirk IJB response includes the need to develop a detailed action plan over the summer of 2019. There will need to be an agreed process for monitoring progress in delivering the plan, and a timescale in which a further self assessment can be conducted to assess the extent of progress made.
14. It is vital that progress in implementing the actions arising from the MSG report, and previously agreed governance actions are regularly monitored, and that there is and full understanding of the consequences to the overall control environment of any non-achievement. Failure to make progress with the areas identified within the MSG report will seriously hamper the IJB's ability to develop and cement governance arrangements to deliver integrated services. Whilst the issue is of sufficient importance to merit the attention of the full IJB Board which may also help generate the support of partner organisations, there may also be merit in more detailed scrutiny being undertaken by the Audit Committee.
15. The MSG self-assessment highlights a number of areas raised previously by Internal Audit. We note, in particular, the stated intention to transfer accountability for services to the IJB. In our view, there is considerable work to be done before the IJB will be ready to accept full accountability for all delegated services. A significant range of areas for improvement were identified in the self-assessment which is explicitly referenced in the governance statement. Given the volume of improvements required, not all areas for improvement were highlighted. Although the Governance Statement does not fully convey the scale of the challenges facing the IJB and the number of actions to be implemented, it does provide an overview of how each section of the assessment was rated and highlights that the majority of areas have been assessed as being either 'partly established', or 'not yet established'.
16. Falkirk IJB has established its priorities and strategic objectives, and needs to identify the methods of service delivery which will best meet the future requirements of its population within resource constraints. The IJB should consider how it can learn from best practice identified by other IJBs, as acknowledged by the IJB in its MSG self assessment.
17. The Falkirk Council Annual Internal Audit Report stated that *'On the basis of work undertaken, Internal Audit can provide Substantial Assurance in relation to the Council's arrangements for risk management, governance, and control for the year to 31 March 2019'*.
18. NHS Forth Valley Board has produced a Governance Statement which states that: *'During the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control. Attention is, however, drawn to the key risks reported to Forth Valley NHS Board during 2018/19 and in particular to the treatment time guarantees underpinned by statute'*.
19. The draft Annual Governance Statement for the IJB states *'we consider that the internal control environment operating during 2018/19 provides reasonable and objective assurance that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to regularly review and improve the internal control environment. These will be supported by action plans going forward'*.

20. The IJB Governance Statement notes seven actions from 2018/19 which will be carried forward into 2019/20. Particularly of note are:

- Work to progress integration, including transfer of the operational management of some in-scope NHS services to the Partnership;
- Develop an action plan for the self evaluations submitted to the MSG;
- Develop a delivery plan for the 2019-22 Strategic Plan;

21. A SMART action plan assigning realistic timescales and ownership should become central to the actions noted within the Governance Statement. As recognised by management, the IJB will need to ensure leadership and management capacity is in place to support this wide range of work. The Audit Committee should monitor progress in implementing agreed actions regularly and understand the consequences of any non achievement or slippage in the actions in overall context.

22. As Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2018/19.

23. Subject to the areas highlighted as requiring improvement and noting, as last year, that significant progress will be required in 2019/20 if, in the longer term, the IJB is to achieve its strategic objectives and reach organisational maturity, I have concluded that:

- **Reliance can be placed on the IJBs governance arrangements and systems of internal controls for 2018/19.**

24. 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**

25. The IJB is asked to **note** this report in evaluating the internal control environment for 2018/19 and **consider** any actions to be taken on the issues reported for consideration.

## **INTERNAL CONTROL**

26. FTF were originally appointed as the IJB's Internal Audit Service in February 2016. The current year internal audit plan was approved by the audit committee 25 June 2018, and we can confirm that FTF complies with the Public Sector Internal Audit Standards. During 2018/19 the FTF Internal Audit Service was externally quality assessed by the Midlothian Council Internal Audit service, which concluded that FTF generally conforms to the International Professional Practice Framework. Actions arising from the review are monitored by the FV HB Audit Committee.

27. The Falkirk Council Internal Audit Service undertakes an annual review of compliance with the Public Sector Internal Audit Standards, which was examined independently. The overall conclusion is that their Internal Audit Service broadly conforms to the PSIAS.
28. Audit work has been undertaken that is sufficient to allow the Chief Internal Auditor to provide his opinion on the adequacy and effectiveness of internal controls. 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 2018/19 focused on the proposals laid out in the February 2019 'Review of Progress with Integration of Health and Social Care' by the Ministerial Strategic Group for Health and Community Care.
29. Our evaluation of the IJB's Governance Framework is summarised below.

<b>A - Corporate Governance</b>	
<b>A1 - Key arrangements in place as at year end 2018/19</b>	
I.	The Audit Committee met four times during 2018/19 and regularly reviewed the strategic risk register, governance action plan, and national audit reports and their relevance to the Falkirk IJB area. However, we could not see evidence that the IJB took full advantage of the information in available national reports and self assessments previously undertaken. The IJB should consider more self-assessment against such reports, which is used in some other IJBs as a means of ensuring continuous improvement.
II.	Regular performance reports were received as a standing item by the IJB during year. As reported to the June 2019 IJB, the IJB will need to prepare and publish an Annual Performance report 2018 – 2019 by 31 July 2019. The IJB will not meet until 6 September 2019 and so the draft report will be circulated to IJB members for comments in July, with the final agreement to publish delegated to the Chair, Vice-Chair, Chief Officer and Chief Finance Officer. The final report will be presented to the Board in September 2019.
III.	Internal audit report FK06/19 - Performance Management and Reporting has been issued in draft and provides a number of suggestions for enhancements to the current performance management system.
IV.	Draft audit report FK05/19 - Assurance Mapping notes that risks, performance and governance assurances being reviewed in each group/committee should clearly link back to the achievement of the IJBs priorities and strategic objectives and be reported more clearly. Further detail will be available within the Assurance Mapping report.
V.	The IJB received updates on integrated management structures in February and April 2019 but more is needed, for example, to clarify clinical and care governance arrangements with partner bodies. It is important that all parties are aware of assurances required and arrangement in place as the transfer of operational management of NHS services progresses.

VI.	Progress with the Governance Action Plan, including findings from both Internal and External Audit reviews, was provided to the Audit Committee in June and December 2018. The December update included progress with the transfer of operational NHS services and workshops held to consider an updated strategic needs assessment to inform the priorities of the 2019-22 Strategic Plan. While the Governance action plan presented to the December 2018 Audit Committee was mostly accurate, not all recommendations from the 2017/18 internal audit annual report were included.
VII.	<p>The six monthly update to the December 2018 meeting reported that between the two reporting periods, the number of red actions had reduced from six to two. Amber had increased from 15 to 17, whilst green actions had increased from 4 to 9. The total number of actions had increased from 25 to 28. Although the report noted that whilst many actions remained red or amber, significant progress had been made in these areas. The report included progress on the following areas:</p> <ul style="list-style-type: none"> <li>• Transfer of operational NHS services - a number of meetings and workshops had been held to consider appropriate staffing structures, governance, accountabilities and to consider services which may be subject to co-ordination arrangements in conjunction with Clackmannan and Stirling IJB. The transfer of services and associated issues account for 6 of the actions in action plan;</li> <li>• Revised Clinical and Care Governance arrangements continue to evolve with the Clinical and Care Governance Committee (C&amp;CGC) now meeting regularly.</li> </ul>
VIII.	<p>The main strategic direction of the IJB, outlined within the 2019-22 Strategic Plan agreed at the April 2019 IJB meeting, remains broadly the same as in the previous plan. However some changes have been made to its vision, local priorities and outcomes, and strategic priorities have been refined to align to emerging priorities such as:</p> <ul style="list-style-type: none"> <li>• Development and implementation of a carers strategy;</li> <li>• Review of the Alcohol and Drug Partnership strategy and structure and align with local evidenced need;</li> <li>• Development and implementation of a HSCP Technology Enabled Care Strategy.</li> </ul>
IX.	The leadership team has reviewed the Strategic Risk Register, which was refreshed during 2018/19 with a new approach taken to identifying risks. It was agreed that that the Strategic Risk Register for the IJB should have a clear focus on risks in key areas, with a particular focus on: delivery of the strategic plan; performance, oversight and quality control; specific high level risks; unscheduled care; transfer of NHS operational services; Brexit.
X.	The updated strategy draws on the Council's Risk Management Policy and Framework and the Health Board's Risk Management Strategy to ensure alignment across the partnership where possible. Forthcoming Internal Audit work will support the development and implementation of the Risk Management Action Plan.
XI.	The terms of reference for the Audit Committee were last revised in September 2018 and an annual review of the terms of reference is now included in the committees forward planner.
XII.	Standing Orders, financial regulations, code of conduct and scheme of

	delegation are all in place, but will need updating to reflect transfer of operational management responsibilities for NHS services. The integration scheme is also due to be reviewed by partner organisations next year.
XIII.	The MSG self assessment return noted that induction is available for new members but is not mandatory and not all current members have attended. Ideally, this should be mandatory as this will help with continuity and ensure a base level of knowledge for all.
XIV.	The Sharing of Audit Outputs protocol has been presented to the Audit Committee. The protocol aims to ensure that internal audit outputs, for example internal audit plans and reports, are shared with each of the constituent authorities, where relevant and appropriate, in line with IRAG guidance. This will help to ensure that risk based internal audit plans for the IJB, Council and Health Board are coordinated and that duplication of work is avoided. Annual Internal Audit reports from both the Council and NHS will be summarised within the progress report to the Audit Committee separately.
<b>A2 – Planned and ongoing developments</b>	
I.	Management have informed us that a draft report has been prepared for the June 2019 Audit Committee, setting out a proposed process for reviewing national and inspection reports. This should address the issue highlighted in A1 I. above.
II.	Strategic planning and commissioning for services to be co-ordinated continue to be the responsibility of each HSCP. Service delivery and operational management arrangements for services to be co-ordinated by a Chief Officer are intended to move into phase 2 of the ongoing transfer of operational management responsibilities to the HSCP. While operational management has not yet been fully delegated to the IJB, shadow arrangements are in place.
III.	<p>The IJB presented its self assessment in response to the MSG report to the 7 June IJB meeting. The self assessment includes a number of proposed actions to be taken forward in each of the 6 'key features' of the report. Key examples include:</p> <ul style="list-style-type: none"> <li>• Progress the implementation of the integrated management structure, at pace;</li> <li>• Developing a single budget to allow for enhanced strategic commissioning and effective monitoring against performance;</li> <li>• Ensuring sufficient resources are available to support the successful operation of the board, its committees and sub-groups;</li> <li>• Clarify governance and accountability arrangements for all in scope functions and budgets and monitor to ensure IJB is making decisions;</li> <li>• Establishment of integrated locality teams;</li> <li>• Develop engagement programmes to support locality planning and service transformation.</li> </ul>
IV.	A number of proposed improvement actions are identified by management within the MSG Self Assessment. Whilst the Governance Statement contains a hyperlink to the MSG outputs, not all significant areas of weakness were overtly identified. However, a summary of how each section within the self assessment has been rated has been included to highlight the overall position

	of the IJB.
V.	Areas for improvement in the MSG self-assessment will be developed into an action plan over the summer of 2019. The plan should be clear about actions being taken forward and by whom as well as how their effectiveness will be measured and monitored. It is also important that it is developed in partnership and formally agreed by all parties so that there is absolute clarity as to roles and responsibilities and contributions.
VI.	Self Assessments in relation to four previous 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 Audit Committee in February and March 2017. It was agreed that actions plans should be put in place from self assessments and the recommendations of the reports should be considered as part of future planning for the partnership.
VII.	The updated Governance Action plan states that these particular reports are out of date, but that all future reports will be subject to review and an appropriate action plan developed. However, although this action is recorded as 'green' on the action plan, consideration should still be given to these reports and the self assessment completed, as they will contain recommendations, helpful case studies and key messages that may well remain relevant to establishing governance structures and new ways of working within Falkirk HSCPs integrated services.
VIII.	Updates on progress with the Strategic Plan 2019-2022 were provided to the IJB during the year. The December update included proposed consultation and engagement plans to refine priorities with stakeholders. Joint workshops have been held with the Strategic Planning Group to identify emerging priorities, and an updated, focused strategic needs assessment has been used to inform the development of the Strategic Plan. This collaboration and engagement is commended and should be incorporated into ongoing review of service provision and monitoring of priorities.
IX.	<p>As reported to the April 2019 IJB, and noted as a proposed improvement action within the MSG self assessment return, directions to Falkirk Council and NHS Forth Valley will be developed and presented to a future IJB for approval. At present directions merely notify organisations of the funds available to them. We recommend that:</p> <ul style="list-style-type: none"> <li>• Directions show a clear link between the direction given, and the associated funding in line with approved financial plans;</li> <li>• Directions about how services should be delivered have clear links to strategies contained within the strategic plan. This would also be in line with the recommendations made within the MSG report;</li> <li>• Consideration should be given to including a discussion of directions within appropriate committee report templates, to ensure directions are considered as part of any decision making by the IJB.</li> </ul>
X.	Our 2017/18 Annual Audit Report stated that <i>'whilst the IJB has a performance management framework in place best value arrangements could be further enhanced by overt reference to the principles and arrangements of best value. We note that the Performance Framework is under development to refine the local indicator set and respond to national requests for performance information, albeit later than anticipated. The Framework will be adapted during 2018 to align with the new Strategic Plan 2019-22'</i> . From the

	performance reports reviewed, this was not done but, again, was not highlighted to the Audit Committee.
XI.	An updated Risk Management Strategy was presented to the Audit Committee in March 2019 and approved by the IJB in April 2019. This included a revised high level Strategic Risk Register. Falkirk Council will continue to provide Corporate Risk Co-ordinator support and NHS Forth Valley have stated that they will advertise for a Risk Manager. It is important that appropriate support is provided timeously so that the IJB has capacity to manage risks effectively and efficiently.
XII.	The Audit Committee will receive an update of the risk register at each meeting, prior to which the Leadership Team will also review the risks. It is proposed that an annual workshop should be held with Leadership Team members and senior managers to inform risk identification and management. These elements will help to embed a risk management culture within the partnership. Management have acknowledged the need for further risk management work, including development of risk appetite.
XIII.	At the special IJB meeting on 28 March members of the Board raised concern about capacity within the HSCP team to ensure delivery of the transformation programme and development of the Localities. A Programme Management Office approach, similar to NHS Forth Valley and Falkirk Council, has been agreed. The Chief Officer is continuing discussions with the partner body Chief Executives to ensure that there is sufficient capacity in partner organisations available to support the HSCP.
<b>A3 - Recommended further issues for consideration by management</b>	
The following recommendations include those still relevant from previous annual reports.	
I.	Governance arrangements between the IJB and its partner organisations should be clearly defined and agreed by all parties. Appropriate assurance reports should be provided and received by the relevant committees and groups so adequate assurances can be given to the IJB around performance and governance.
II.	The Audit Committee and C&CGC should provide year-end reports to the IJB that include a conclusion on whether they have fulfilled their remit and its view on the adequacy and effectiveness of the matters under its purview; as well as reflecting on any matters of concern for future consideration.
III.	It is essential that the Audit Committee regularly monitors progress in implementing the actions arising from the MSG and other national reports, as well as issues identified from internal and external audit reports and from the IJBs own self-assessments.
IV.	We recommend referring to internal audit reports FK05/19 Assurance Mapping and FK06/19 Performance Management for further recommendations.
<b>B - Clinical &amp; Care Governance/ Financial Governance/ Staff Governance / Information Governance</b>	
<b>B1 - Key arrangements in place as at year end 2018/19</b>	
<b>Clinical &amp; Care Governance</b>	

- I. Clinical and Care Governance arrangements continue to develop, although the NHS Forth Valley Internal Audit report highlighted a number of areas where arrangements had not progressed as expected. In particular, it was noted in the report that *'During 2018/19 no assurance reports or minutes from the IJB's Clinical and Care Governance arrangements were provided to the NHS Forth Valley CGC, or vice versa.'* It also noted that a forthcoming paper *'intends to clarify the relationship between the NHS Forth Valley CGC and IJB Clinical & Care Governance, and will cover items such as the scope of committees, how transfer of services will affect the governance role of committees, and protocols for sharing information. The paper will also be presented to each IJB'.*
- II. There is already much clinical and care governance information available through Council and NHS information systems and the IJB needs to agree how best to utilise this information in order to strengthen its assurance to the IJB.
- III. This issue was previously highlighted in internal audit FK07-17 – Clinical Care & Professional Governance and we would recommend that the C&CGC receives a formal update on the completion of relevant actions within this report and assessment of the effectiveness and impact of implementation.
- IV. Overall governance arrangements, including clinical, staff, financial and information governance largely rely on the information provided to it by its partner organisations. However, no information has been provided to the C&CGC from equivalent partner body committees. Without Clinical Governance assurance being received on a regular basis from partner organisations, the C&CGC is not able to scrutinise and fully understand potential risks the partner organisations are facing, and how these are being managed.
- V. It is noted though that the agenda of the C&CGC follows a good structure, covering: effective outcomes; safe; person centred; risk. This format lends itself to providing assurances needed for the IJB
- VI. The C&CGC demonstrated good practice in having an ongoing work plan and we would again recommend that this work plan has clear links to the strategies and priorities of the IJB, so it is clear how the work of the committee provides assurance to the IJB that its priorities are being progressed and risks managed.
- VII. The IJB received the Chief Social Work Officer Annual report 2017/18 as well as reports and updates from the Adult and Child Protection Committees. These reports include performance information, highlight emerging risks and provided assurance on the adequacy and effectiveness of the service.
- VIII. The C&CGC did not provide an annual report to the IJB/Audit Committee providing assurance on the adequacy and effectiveness of clinical and care governance.
- IX. The new Health & Social Care Standards introduced in 2018 have been taken into account and reflected in the new Strategic Plan.

#### **Financial Governance**

- X. The self-assessment provided to internal audit noted that there have been instances of difficulties in obtaining timely financial information from partner bodies, for example to inform medium financial planning. In common with many IJB's, the MSG assessment return does not conclude that financial contributions from partner organisations have lost their identity, as originally

<p>envisaged.</p> <p>XI. Each meeting of the IJB receives a financial position update, including a projection on the outturn position for the year and the projected position for year-end reserves balances. The IJB also receives budget reports which include savings proposals and outlines the main areas for transformation over the coming 5 year period.</p> <p>XII. In October 2018 an update on the medium term financial plan was provided, highlighting the need for robust planning and understanding of the financial assumptions that will be used to support the plan. Rightly, the report also notes the importance of collaboration and partnership working if the plan will be a success. The actions arising from the MSG self assessment should be used to inform the work and actions needed to produce an integrated medium term financial plan.</p> <p>XIII. The 2019/20 Internal Audit Plan includes a review of Medium Term Financial Planning focusing on the IJB's arrangements for developing, managing, and reporting on its own Medium Term Financial Plan and obtaining assurance on the robustness of partners' Medium Term Financial Plans and the process for developing and maintaining these.</p>	<p><b>Staff Governance</b></p> <p>XIV. The Chief Officer's report to the April 2019 IJB stated that the Chief Officer had worked with the Head of HR Falkirk Council and Director of HR NHS Forth Valley to finalise the job descriptions and develop the recruitment process for the Heads of Integration and Locality Manager posts. The interviews for these posts have taken place and the recruitment process is ongoing.</p> <p><b>Information Governance</b></p> <p>XV. The Chief Officer's report to the April 2019 IJB noted that the Records Management Plan had been submitted to the Keeper of the Records in line with the required timetable.</p> <p>XVI. Although the IJB strategic risk register contains a risk of failure to deliver its strategic objectives due to a lack of capacity and infrastructure, it has not received assurance over risks relating to staffing or information governance issues.</p>
<p><b>B2 - Planned and ongoing developments</b></p>	
<p>I. The projected outturn position subject to audit is an overspend of £1.245m, with an additional overspend in the set aside budget of £1.416m. The main areas for overspend are within 'Operational and Universal Services', including community hospitals and community services. Prescribing is projected to overspend by £1.536m.</p> <p>II. A core goal of integration is to shift resources from acute to community care services, and the IJB must work closely with its partners to begin to achieve this change. As mentioned previously, working with other HSCP areas to understand how resource shifts have been achieved elsewhere (albeit in small scale) may be helpful to inform this process. The IJB must also ensure that it receives adequate financial reporting to demonstrate that resources are being used to progress strategic objectives within key services as intended. As financial reporting develops alongside the transfer of operational management of health services, the aim should be to demonstrate a clear link</p>	

<p>between resources available and being spent, to the priorities of the strategic plan. This is something that is recognised by management and is the intention in future.</p> <p>III. There is a clear challenge for the IJB to drive the necessary transformational change within the available capacity as well as manage 'business as usual'. This is also evident across Scotland and is highlighted in national reports. The IJB is planning service redesign that it regards as transformational and there are some examples where these are being taken forward such as the redesign of the out of hospital care system. The challenge for the IJB is to now implement planned change, and to increase the pace of transformation in future. The IJB must ensure that planned service redesign is able to deliver improved outcomes for people. As noted elsewhere in this report, the IJB will need support and full engagement of its partners if it is to achieve this.</p> <p><b>Workforce</b></p> <p>IV. The report to the April 2019 IJB on the Strategic Plan 2019-22, stated that work is taking place to develop an updated integrated workforce plan. The partnership published an Integrated Workforce Plan covering 2016-19 to support the development of a joint, integrated workforce. However, the IJB did not receive progress reports on the implementation of the previous integrated workforce plan.</p> <p><b>Information Governance</b></p> <p>V. The Scottish Government, COSLA and partners have developed a digital maturity self-assessment tool and the partnership is required to complete and submit its self-assessment by 28 June 2019. It is anticipated the results will be published by late September 2019.</p>	<p><b>B3 - Recommended further issues for consideration by management</b></p>
<p>The following recommendations remain extant:</p> <p>I. The C&amp;CGC should receive a formal update on the completion of actions within report FK07/17 Clinical Care &amp; Professional Governance and an assessment of the effectiveness and impact of their implementation. In particular, the C&amp;CGC should ensure that it is able to provide annual assurance to the IJB and does so.</p> <p>II. The MSG self-assessment identified a number of areas requiring improvements in financial and other governance arrangements. We would expect this to form part of the action plan, preferably including detailed scrutiny by the Audit Committee, albeit recognising that this issue is of sufficient importance to justify reporting to the Board.</p> <p>III. The IJB should continue to ensure that actions in relation to mitigating financial risks are reflected in financial reporting with the continued aim of achieving financial balance.</p> <p>IV. Implementation of the next iteration of the integrated workforce plan should be monitored by the IJB and the IJB should receive assurance on staff governance from the parent bodies.</p> <p>V. As the IJB matures, consideration should be given to ensuring appropriate reporting of information governance issues. For example, development of information sharing protocols, General Data Protection Regulations compliance, arrangements for sharing of locality health, care and performance information. A timescale should be agreed for the</p>	

implementation of reporting arrangements and remedial action put in place if not achieved.

- VI. The IJB's records management arrangements plan should demonstrate that arrangements are in place to cover data sharing between NHS Forth Valley and Falkirk Council, other local organisations, providers and national agencies such as NHS National Services Scotland. Arrangements will need to reflect both the provisions of the Public Bodies (Joint Working) (Scotland) Act 2014 and the General Data Protection Regulations 2016.

## **ACKNOWLEDGEMENT**

30. 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>We have highlighted below a number of areas which should be incorporated into an improvement action plan. This should include governance developments identified within the IJB's own self assessment and through previous internal and external audit reports. There are also areas where previously agreed actions have not been achieved.</p> <p>There is considerable duplication between the outcomes of the organisation's governance self assessment, our findings and those of the MSG, as well as the Audit Scotland HSCI report.</p>	<p>The IJB and its partner organisations needs to focus core activity on the areas of highest importance, including key governance arrangements, and ensure that these are delivered within available resources, noting that the parent bodies will also need to engage with and support the process.</p> <p>All relevant actions identified should be collated and monitored through a comprehensive SMART Improvement action plan.</p> <p>Implementation should be monitored by the Audit Committee and the reasons for and consequences of any non-achievement highlighted, with assurance provided to the IJB Board by the Audit Committee with particular reference to MSG actions.</p>	1	<p>An action plan will be developed as part of the MSG self evaluation work. This will be expanded to cover any key governance recommendations that are not already covered by the MSG work.</p> <p>A paper will be presented to the IJB proposing a process for monitoring all actions and ensuring that the IJB Board is provided with appropriate assurance on progress.</p>	<p>Chief Officer December 2019</p> <p>Chief Officer December 2019</p>

2.	Work has been ongoing for some time to agree integrated management structures, with a number of reports on this area presented to the IJB. However, governance arrangements between the IJB and its partner organisations are not yet fully defined, and not yet agreed by all parties.	Governance arrangements between the IJB and its partner organisations should be clearly defined and agreed by all parties as a matter of urgency.	2	The IJB has requested a review of relevant standing orders and scheme of delegation to ensure that the Chief Officer has appropriate controls to fulfil their duties.  This will form part of the due diligence work required before services transfer to the Partnership.  The Integration Scheme should be reviewed by March 2020.	Chief Officer & Chief Executives  September 2019  March 2020
3.	Appropriate assurance reports are not being received by the IJB to enable them to conclude on the work carried out by its committees and sub groups.	The Audit Committee and Clinical and Care Governance Committee should provide year-end reports to the IJB that include a conclusion on whether they have fulfilled their remit and its view on the adequacy and effectiveness of the matters under its purview; as well as reflecting on any matters of concern for future consideration.	2	This proposal will be presented to the IJB for consideration.  If agreed, year end reports to be produced.	Chief Officer September 2019  Chief Officer June 2020

<p>4. Areas for improvement in the MSG self-assessment will be developed into an action plan over the summer of 2019. The plan should be clear about actions being taken forward and by whom as well as how their effectiveness will be measured and monitored. It is also important that it is developed in partnership and formally agreed by all parties so that there is absolute clarity as to roles and responsibilities and contributions.</p>	<p>We would expect improvements in financial and governance arrangements, as noted in the self assessment, to form part of the action plan to be reviewed, ideally by the Audit Committee. It is essential that progress in implementing actions arising from the MSG, national reports, and findings from internal and external audit reviews are regularly monitored.</p>	<p>2 An action plan will be developed as part of the MSG self evaluation work. This will be expanded to cover any key governance recommendations that are not already covered by the MSG work.</p> <p>A paper will be presented to the IJB proposing a process for monitoring all actions and ensuring that the IJB Board is provided with appropriate assurance on progress.</p> <p>This links to resource being provided by partners to facilitate this work through the Support Services Agreement.</p>	<p>Chief Officer December 2019</p> <p>Chief Officer December 2019</p>
---	---	--	---

5.	Clinical and Care Governance arrangements continue to develop, and work is ongoing in this area. The NHS Forth Valley Internal Audit report highlighted a number of areas where arrangements had not progressed as expected. There is already much clinical and care governance information available through Council and NHS information systems and the IJB needs to agree how best to utilise this information in order to strengthen its assurance to the IJB.	The C&CGC should receive a formal update on the completion of actions within report FK07/17 Clinical Care & Professional Governance and an assessment of the effectiveness and impact of their implementation.	2	An initial paper will be taken to the August 2019 CCG committee.	Chief Officer August 2019
6.	Work is underway to develop an updated integrated workforce plan. The partnership published an Integrated Workforce Plan covering 2016-19 to support the development of a joint, integrated workforce. However, the IJB did not receive progress reports on the implementation of the previous plan.	Implementation of the next iteration of the integrated workforce plan should be monitored by the IJB and the IJB should receive assurance on staff governance from the parent bodies.	2	Agreed. This work will rely on partners providing resource to complete.	Chief Officer March 2020

7.	Although the IJB strategic risk register contains a risk of failure to deliver its strategic objectives due to a lack of capacity and infrastructure, it has not received assurance over risks relating to staffing or information governance.	Consideration should be given to ensuring appropriate reporting of information governance and staffing issues. For example, development of information sharing protocols, General Data Protection Regulations compliance, arrangements for sharing of locality health, care and performance information. A timescale should be agreed for the implementation of reporting arrangements and remedial action put in place if not achieved.	3	Agreed.	TBC
8.	The 2019/20 Internal Audit Plan includes a review of Medium Term Financial Planning. This will focus on the IJB's arrangements for developing, managing, and reporting on its own Medium Term Financial Plan. It will also consider how the IJB will obtain assurance on the robustness of partners' plans, and their process for developing and maintaining these.	The IJB should continue to ensure that actions in relation to mitigating financial risks are reflected in financial reporting with the continued aim of achieving financial balance.	2	Agreed	Chief Finance Officer Ongoing