

## **Agenda Item 8**

# **Internal Audit Annual Assurance Report**



# Falkirk Integration Joint Board

19 June 2020

## Internal Audit Annual Assurance Report

For Noting

### 1. Executive Summary

- 1.1 This report provides an overall assurance on the IJB's arrangements for risk management, governance, and control, based on Internal Audit work undertaken and reported during 2019/20.
- 1.2 In line with normal practice, the IJB Audit Committee would have received the Internal Audit Annual Assurance report to consider any recommendations and actions, with this being monitored and implemented as required. However the cancellation of meetings in response to the COVID-19 pandemic has impacted on the timescales and process.
- 1.3 The Internal Audit Annual Assurance report will be presented to the IJB Audit Committee when it next meets.

### 2. Recommendations

The Integration Joint Board is asked to note that:

- 2.1 sufficient Internal Audit work was undertaken to support a balanced assurance; and
- 2.2 This Internal Audit can provide substantial assurance on the IJB's arrangements for risk management, governance, and control for the year to 31 March 2020.

### 3. Operational Activity Considered in Providing Overall Assurance

- 3.1 Responsibility for leading on the provision of Internal Audit services to Falkirk IJB rotates on a three yearly cycle.
- 3.2 From 01 April 2019 Falkirk Council's Internal Audit Manager took over that role for Falkirk IJB. Prior to that, the provision of Internal Audit services was led by the Chief Internal Auditor of NHS Fife, Tayside, and Forth Valley NHS Internal Audit consortium.

- 3.3 It is senior managers' responsibility to establish and maintain effective and proportionate risk management, governance, and control arrangements. Internal Audit is not an extension of, or substitute for, operational management.
- 3.4 The 2017 Public Sector Internal Audit Standards (the Standards) require the Internal Audit Manager to prepare an Annual Assurance Report. This report should include:
- a statement on the overall adequacy of the Council's control environment;
  - a summary of Internal Audit work undertaken during the year; and
  - a statement on the Internal Audit Section's conformance with the Standards.
- 3.5 This report has been prepared to meet those requirements.
- 3.6 The 2019/20 Internal Audit Plan set out two main assignments to be completed by the team over the course of the year. In addition, two assignments relating to the 2018/19 Internal Audit Plan were finalised during 2019/20. The scope of, and findings arising from, each finalised assignment are set out at Appendix 1.

<b>2018/19 Internal Audit Plan:</b>	
Performance Management and Reporting	Final Report issued on 06 February 2020.
Assurance Framework – Governance Mapping	Final Report issued on 16 March 2020.
<b>2019/20 Internal Audit Plan:</b>	
Carers (Scotland) Act 2016 and Participation and Engagement Strategy Arrangements	Final Report issued on 28 November 2019.
Medium Term Financial Planning	Final Report issued on 29 May 2020.

- 3.7 Internal Audit use a set of Assurance Categories. A summary of these is set out at Appendix 2.
- 3.8 On the basis of work undertaken, Internal Audit can provide substantial assurance in relation to Falkirk IJB's arrangements for risk management, governance, and control for the year to 31 March 2020.

## **4. Compliance With Public Sector Internal Audit Standards**

- 4.1 Internal Audit seeks to undertake all work in conformance with the Public Sector Internal Audit Standards 2017 (the Standards). The Standards have four objectives:
- To define the nature of Internal Auditing, within the UK public sector;
  - To set basic principles for carrying out Internal Audit in the UK public sector;
  - To establish a framework for providing Internal Audit services, which add value to the organisation, leading to improved organisational processes and operations; and
  - To establish the basis for the evaluation of Internal Audit performance and to drive improvement planning.
- 4.2 The Standards require the Internal Audit Manager to establish a Quality Assurance and Improvement Programme (QAIP) to allow evaluation of compliance with the Standards. This comprises an annual self assessment and a five yearly external assessment.
- 4.3 The Internal Audit Manager undertook a detailed self assessment against the Standards during February 2020. This confirmed continuing compliance with the Standards, and will be subject to independent, external validation as part of a national review process established by the Scottish Local Authorities Chief Internal Auditors' Group.

## **5. Conclusions**

- 5.1 Sufficient Internal Audit activity was undertaken to allow a balanced assurance to be provided.
- 5.2 Internal Audit is able to provide Substantial assurance in respect of Falkirk IJB's overall arrangements for risk management, governance, and control for the year to 31 March 2020.
- 5.3 In providing that opinion, Internal Audit operated in compliance with the Public Sector Internal Audit Standards.

### **Resource Implications**

There are no resource implications arising from the recommendations in this report.

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

Effective governance, including risk management and internal control, will be necessary to deliver the outcomes and priorities of the IJB.

### **Legal & Risk Implications**

The role of Internal Audit is to provide assurance on the IJB's arrangements for risk management, governance, and control. Recommendations made by Internal Audit aim to reduce or mitigate risk to which the IJB may be exposed.

### **Consultation**

All Internal Audit reports are circulated in draft and reviewed by management prior to final publication.

### **Equalities Assessment**

No equalities issues arise from the recommendations of this report.

## **6. Report Author**

Gordon O'Connor

**Falkirk Council Internal Audit Manager**

## **7. Appendices**

<b>Appendix 1:</b>	Summary of Findings Arising from Internal Audit Work
<b>Appendix 2:</b>	Definition of Internal Audit Assurance Categories

## Summary of Findings Arising from Internal Audit Work

Internal Audit Plan	Assignment	Assurance
2018/19	Performance Management and Reporting	Substantial Assurance (Category C – Adequate <sup>1</sup> )
Scope	Final Report Executive Summary	
<p>Internal Audit work sought to provide assurance in relation to the following risks:</p> <ul style="list-style-type: none"> <li>Performance management reporting arrangements and outputs may not comply with all relevant guidance, and performance reporting to the IJB may not be aligned with Scottish Government and local requirements;</li> <li>Performance measures may not support planned outcomes and may not be clearly defined; and</li> <li>Where performance information indicates that targets are not being achieved, assurance may not be provided that effective remedial action is taken.</li> </ul> <p>Internal Audit also reviewed the availability of robust, reliable, and timely performance information, and the level of support provided by partners to produce reports.</p>	<p>Robust and effective performance management, monitoring, and reporting is vital to provide assurance to the IJB on achievement of the Strategic Plan and performance against national and local targets. We noted that the style of Performance Monitoring reports have been updated based on feedback and this Internal Audit report makes suggestions to enhance current reporting, particularly in areas where performance is below target and remedial action is required.</p> <p>The Forth Valley wide Performance Management Framework was last updated on 31 March 2016, and was approved by Clackmannanshire and Stirling IJB and Falkirk IJB. The Framework has not been reviewed or refreshed during this three year period and the recommendations within this report should be considered when the framework is refreshed.</p> <p>Our review noted variation in the style and content of performance reports presented to the IJB. This variation reflects the timetable of reporting local and national indicators, and feedback from the Board, which has resulted in style and content changes.</p> <p>As reported to the April 2019 IJB, the Falkirk Performance Group have now developed a more structured and themed timetable for performance reporting for 2019. This incorporates reporting of the year end position for 2018/19 using local data items against MSG indicators and the baseline reported to the September 2019 IJB. It also incorporates reporting of the year end 2018/19 position, benchmarked against peer groups and the national position (using SOURCE data) reported to the December 2019 IJB.</p> <p>Internal Audit welcomes this development, and the action points within this report make suggestions to further enhance the content and style of IJB Performance Monitoring Reports to ensure they provide robust assurance to the Board and to improve user engagement. These recommendations include evidencing effectiveness of remedial action to provide assurance that, where targets have not been achieved, necessary actions are being taken and barriers to achievement are reported.</p> <p>The Annual Performance Report and the regular Performance Monitoring reports to the IJB do not set out performance by Locality, as the HSCP is not yet working in integrated locality teams. Management have informed us that this data is not yet available, and is currently being developed. This is a key</p>	

<sup>1</sup> **Note:** FTF NHS Internal Audit provided 'Category C – Adequate' assurance. This reads across to the 'Substantial Assurance' definition used in IJB Internal Audit reports from 01 April 2019. See Appendix 2.

	<p>development to enable national and local benchmarking.</p> <p>Historically, Performance Monitoring reports were submitted to the IJB by the General Manager: Community Services, and the Head of Social Work Adult Services (SWAS), and approved for submission by the Chief Officer. There have been a number of staff changes, which has resulted in the Performance Monitoring report being presented by a range of people. More recently, this has been the General Manager and the Head of SWAS prior to their retirement. Partner performance staff are in attendance for any technical questions on the preparation of the data, and operational leads for any service based questions. We have recommended that the performance reports are presented by an officer with responsibility for the areas included in the report, and that the most appropriate operational accountable officer is available to provide the IJB with detailed assurances and explanations on performance.</p> <p>While the Performance Group has proved effective in producing regular performance reports, the group has the potential to effect change and improve the content, user friendliness, and visuals within the performance report. This group has a key role in ensuring the format and content of the performance reports meets the needs of the IJB, and that all required information is reported in a user friendly, accessible, format, which clearly describes improvement and deterioration in performance. We have recommended that the role of the group is refreshed.</p>
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Internal Audit Plan	Assignment	Assurance
2018/19	Assurance Framework – Governance Mapping	<b>Substantial Assurance (Category C – Adequate<sup>2</sup>)</b>
Scope	Final Report Executive Summary	
<p>This Governance Mapping exercise assessed the extent to which the IJB's committee structure supports the delivery of strategic objectives.</p> <p>The scope of the review was to:</p> <ul style="list-style-type: none"> <li>Identify and map Falkirk HSCP's key committees and working groups;</li> <li>Review the appropriateness of Terms of Reference (ToR) and interdependencies;</li> <li>Assess working arrangements for key committees and working groups; and</li> <li>Determine whether the structure of these committees and groups best supports delivery of Falkirk HSCP's strategic objectives.</li> </ul>	<p>The key issues arising from Internal Audit's work were as follows:</p> <p>Aspects of the IJB's remit were appropriately delegated to committees and working groups, and duplication was avoided;</p> <p>Responsibility for the management of risks to achieving strategic objectives and priorities was not overtly defined in the standing committee and key working group ToRs reviewed. Clearer definition of the role of each committee and working group in managing key risks and priorities would help provide clarity on how the Strategic Plan is being delivered. The scope of each committee and working group ToR should be reviewed at least annually to ensure latest guidance is reflected;</p> <p>Although not all committees and groups were in place for the whole year, our review of agendas and papers of meetings to date confirmed that the committees and working groups in our sample met in line with their remits, were quorate, and discharged their duties in an effective manner. IJB and standing committee papers reviewed were of good quality, and set out why papers were being presented, with an introduction, recommendation, and background included. Papers also include a brief section listing: resource implications, impact on IJB outcomes and priorities, legal and risk implications, consultation, and equalities assessment. Recommendations were clear and minutes clearly noted decisions taken;</p> <p>We noted good practice in that the IJB used a rolling action log with a responsible officer and timeframe for completion which was reviewed at every meeting. This action log format had also been adopted by the Clinical and Care Governance Committee (CCGC) from its February 2019 meeting. The membership of each committee and working group reviewed was appropriate, and we did not note any quoracy issues;</p> <p>However, a formal work plan linked to the ToR was not in place for the CCGC in 2018/19, although the CCGC was not established until October 2018. The IJB Standing Orders, ToR, or working group ToR did not specifically link to the key risks as per the Strategic Risk Register and strategic outcomes as per the Strategic Plan. We did note that the Unscheduled Care Programme Board ToR and Delayed Discharge Steering Group ToR clearly linked to the integration priority to 'reduce occupied hospital bed days associated with avoidable admissions and delayed discharge';</p> <p>We were pleased to note that the CCGC work plan for the calendar year 2019 was approved in February 2019. We</p>	

<sup>2</sup> **Note:** FTF NHS Internal Audit provided 'Category C – Adequate' assurance. This reads across to the 'Substantial Assurance' definition used in IJB Internal Audit reports from 01 April 2019. See Appendix 2.



	<p>recommended the use of work plans for all committees to provide a basis for assurance that the committee / group is fulfilling its remit, and to evidence progress towards achieving strategic objectives and priorities. These work plans should include reporting of performance information and progress towards improved outcomes. Any issues or risks identified through work carried out in year should also be carried forward to work plans in subsequent years to ensure they are appropriately addressed; and</p> <p>On 01 February 2019 the IJB agreed to proposals presented by the Chief Officer and Chief Executives of Falkirk Council and NHS Forth Valley on the agreed approach to progress integration structures, specifically in relation to: the role of the Chief Officer, the proposed integrated management structure, proposed governance arrangements, and principles for hosting services. This positive step provides the IJB with an opportunity to consider how the governance structure can provide assurance on the delivery of strategic objectives.</p>
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Internal Audit Plan	Assignment	Assurance
2019/20	Carers (Scotland) Act 2016 and Participation and Engagement Strategy Arrangements	Substantial Assurance
Scope	Final Report Executive Summary	
<p>Internal Audit reviewed:</p> <ul style="list-style-type: none"> <li>progress with the implementation of the requirements of the Carers (Scotland) Act 2016. Including the Local Carer Strategy, Adult Carer Support Plans, information and advice services for carers, and the provision of a short breaks service;</li> <li>progress with implementing the Participation and Engagement Strategy; and</li> <li>arrangements for identifying and addressing the concerns of service users, patients, and unpaid carers.</li> </ul>	<p>The Strategic Plan has prioritised support for carers as a key issue, and work performed in the Partnership is broadly consistent with Carers (Scotland) Act 2016 requirements.</p> <p>The Partnership recognises the importance of participation and engagement across all partners and stakeholders, and this is detailed in a Participation and Engagement Strategy. An IJB Complaints Handling Procedure is also in place to address concerns Partnership stakeholders may have.</p> <p>The role of the IJB includes obtaining assurance that implementation of requirements are being adequately and properly progressed across the Partnership. We were able to provide Substantial Assurance in relation to the provision of assurance with regard to the implementation of the requirements of the Carers (Scotland) Act 2016 and the Participation and Engagement Strategy. There was scope, however, for more frequent reporting to the IJB to assist its scrutiny and challenge.</p> <p>In relation to the Carers (Scotland) Act 2016 there should be:</p> <ul style="list-style-type: none"> <li>Monitoring and reporting of Falkirk Carers' Strategy Action Plan progress, as well as linking in the reporting of the Strategic Plan Action Plan for Priority 2 (Ensuring carers are supported in their caring role);</li> <li>Development of the Falkirk Carers' Strategy Action Plan to include more specific and timely actions and timescales;</li> <li>Further assurance sought from NHS Forth Valley to implement Section 28 hospital discharge requirements; and</li> <li>Regular system (Liquidlogic and TrakCare) development and implementation progress updates provided to the IJB until partner systems are fully embedded, with carers' data monitoring and reporting arrangements clarified.</li> </ul> <p>IJB assurance should be increased in relation to participation and engagement activities undertaken, with stakeholders' concerns feedback provided where necessary. There should be:</p> <ul style="list-style-type: none"> <li>Arrangements put in place for reporting participation and engagement as part of the Stronger Communities Steering Group, and also maintaining a log of activities which should be mapped against key strategic objectives and priorities;</li> <li>Review of the Partnership's Participation and Engagement Strategy, to include how progress with meeting its commitments is monitored, managed, scrutinised, and reported. This includes the provision of feedback where necessary.</li> </ul> <p>Finally, our review of the IJB Complaints Handling Procedure highlighted that it needs to better demonstrate how complaints have led to improvements being made.</p>	

Internal Audit Plan	Assignment	Assurance
2019/20	Medium Term Financial Planning	Substantial Assurance
Scope	Final Report Executive Summary	
<p>We reviewed the IJB's Medium Term Financial Planning arrangements, including links to the Strategic Plan, and its processes for obtaining sufficient assurances in relation to the robustness of partners' Medium Term Financial Plans (MTFPs). This included:</p> <ul style="list-style-type: none"> <li>• roles and responsibilities in relation to the preparation of, and accountability for, the IJB Medium Term Financial Plan;</li> <li>• governance arrangements, including those relating to approval and monitoring of the IJB Medium Term Financial Plan; and</li> <li>• the IJB's arrangements for seeking assurance on the robustness of Falkirk Council and NHS Forth Valley Medium Term Financial Plans, and on partners' progress with delivering on these Plans.</li> </ul>	<p>Responsibility for developing the MTFP rests with the Chief Finance Officer (CFO). However, the Chief Officer (CO) has overall responsibility for oversight and coordination of strategic plans, and accountability for their delivery. Our opinion is that the CO has adequate ownership of the plan, and that the CFO liaised effectively with the CO throughout the development of the MTFP.</p> <p>The MTFP was presented to, and formally agreed at, the IJB meeting of 06 December 2019. Governance arrangements for ongoing review will, therefore, be developed over the coming months. The MTFP clearly states that the intention is to regularly review and update the plan. Although not yet in place, the planned review and reporting schedule suggests that, if carried out as intended, there will be adequate opportunity to re-assess the MTFP and report changes to the IJB for scrutiny and challenge.</p> <p>The process of developing the MTFP included adequate consultation and consideration of appropriate guidance and documentation.</p> <p>In addition, it articulates clear links to the Strategic Plan and IJB Delivery Plan, which it is designed to support. In our opinion, effort has been made to ensure that the MTFP, strategic plan, and delivery plan are coordinated, and set a 'direction of travel' for the Health and Social Care Partnership.</p> <p>The CFO meets regularly with Falkirk Council Finance staff, and attends the Member Budget Working Group. The CFO may also attend senior finance meetings at NHS Forth Valley. Therefore, opportunities for the CFO to challenge and influence partners as part of ongoing financial planning are improving. Similarly, key officers in partner bodies have the opportunity to input into longer term IJB financial planning.</p> <p>The MTFP acknowledges that gaps do exist in the financial information available to the IJB. While this does not fundamentally compromise the integrity of the MTFP, there is some scope for improvement. That said, there is appropriate review, challenge, and follow-up of the financial information that is supplied. Therefore, the IJB can take assurance that the MTFP reflects the financial information provided by partner bodies, and that information is accurately provided.</p>	

**Definition of Internal Audit Assurance Categories**

Level of Assurance	Definition
<b>Substantial assurance</b>	Largely satisfactory risk, control, and governance systems are in place. There is, however, some scope for improvement as current arrangements could undermine the achievement of objectives or leave them vulnerable to error or abuse.
<b>Limited assurance</b>	Risk, control, and governance systems have some satisfactory aspects. There are, however, some significant weaknesses likely to undermine the achievement of objectives and leave them vulnerable to an unacceptable risk of error or abuse.
<b>No assurance</b>	The systems for risk, control, and governance are ineffectively designed and operated. Objectives are not being achieved and the risk of serious error or abuse is unacceptable. Significant improvements are required.