

# **Agenda Item 6**

## **Internal Audit Progress Report**



## Falkirk Integration Joint Board Audit Committee

1 March 2024

### Internal Audit Progress Report

For consideration and comment

#### 1. Executive Summary

The purpose of this report is to brief the Audit Committee on the progress of the IJB Annual Internal Audit Plans and to update on those Falkirk Council and NHS Forth Valley internal audit reports agreed with the Interim Chief Finance Officer as relevant to the IJB Audit Committee.

#### 2. Recommendations

The Audit Committee is asked to:

- 2.1 Note the progress on the Annual Internal Audit Plans at appendix 1.
- 2.2 Note the summaries of relevant reports from the partner bodies set out at appendix 2.

#### 3. Background

- 3.1 The Falkirk IJB 2023/24 Internal Audit Plan was approved by the Audit Committee at its meeting on 17 March 2023. The 2022/23 plan was approved by the Audit Committee at its meeting on 23 September 2022. Progress on both plans is shown in appendix 1.
- 3.2 Under the agreed system of rotation of responsibilities amongst the constituent authorities, the Chief Internal Auditor of FTF Internal Audit currently provides the IJB Chief Internal Auditor role. It is confirmed that FTF Internal Audit complies with Public Sector Internal Audit Standards (PSIAS).
- 3.3 For 2023/24, resources to deliver the plan will be provided solely by the FTF NHS Forth Valley internal audit team. Where required, the Falkirk Council Internal Audit services team will provide FTF Internal Audit with information from Falkirk Council.

## 4. 2022/23 Internal Audit Plan

4.1 Progress on the 2022/23 Internal Audit Plan is reported at Appendix 1 with the following updates since the last progress report presented in November 2023:

### **FK05-23 Strategic Planning**

4.2 Fieldwork is nearing completion and the report will be issued to members when agreed with Management and finalised, before being presented to the June 2024 Audit Committee.

## 5. 2023/24 Internal Audit Plan

### **FK04-24 Risk Management**

5.1 The Chief Internal Auditor (CIA) has liaised with the partner organisation Risk Managers who support the IJB in this area to ensure co-ordination of risk assurance reviews. The CIA will provide the Chief Finance Officer with commentary on the Strategic Risk Register.

### **FK05-24 Audit Committee Self-Assessment**

5.2 Fieldwork is ongoing to complete an initial assessment against good practice principles, including the CIPFA Position Statement Guidance issued in 2022 - 'CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022'. The Chief Finance Officer will contribute to completion of the self-assessment and the agreed output will be presented for Audit Committee review, comment and approval.

### **Audit Management**

5.3 In order that all parts of the system receive appropriate information on the adequacy and effectiveness of internal control within their purview, including controls operated by other bodies which impact on their control environment, an output sharing protocol was developed and approved by all partners' respective Audit and Risk Committees. This covers the need to share internal audit outputs beyond the organisation that commissioned the work, where the outputs are considered relevant for assurance purposes. This output sharing protocol is currently under review and a revised version will be presented to the Audit Committee for approval. It should be noted that the respective Audit and Risk Committees of the commissioning bodies are responsible for scrutiny of implementation of actions. The relevant reports from the partners bodies are summarised at Appendix 2.

5.4 The Chief Finance Officer and the Regional Audit Manager meet every six weeks to discuss ongoing developments. This provides an opportunity for Internal Audit to provide advice where appropriate.

## 6. Conclusions

- 6.1 Completion of planned work will allow the Chief Internal Auditor to provide their opinion on the adequacy and effectiveness of internal controls at year-end.

### 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, is essential for delivery of the outcomes and priorities of the IJB.

### Directions

A new direction or change to an existing direction is not required.

### Legal & Risk Implications

The internal audit planning process which produced the Annual Internal Audit Plan takes into account the strategic risk profile of the organisation. Individual internal audit assignments identify the key risks at the planning stage and our work is designed to evaluate whether appropriate systems are in place and operating effectively to mitigate the risks identified. Legislative requirements are a core consideration in planning all internal audit reviews.

### Consultation

All internal audit reports are circulated in draft and reviewed by management prior to final publication.

### Equalities Assessment

An Equality Impact Assessment is not required. All internal audit reviews which involve review of policies and procedures will examine the way in which equality and diversity is incorporated within documentation.

## 7. Report Author

- 7.1 J Lyall BAcc CPFA, Chief Internal Auditor

## 8. Appendices

**Appendix 1:** Progress report 2022/23 and 2023/24

**Appendix 2:** Summaries of relevant reports from partner bodies

## Progress Report 2022/23 &amp; 2023/24

Ref	Audit	Indicative Scope	Target Audit Committee	Planning stage	Work in Progress	Draft Issued	Complete	Grade
FK01-23	Audit Planning	Agreeing audit universe and preparation of strategic IA plan.	September 2022	✓	✓	✓	✓	N/A
FK02-23	Audit Management	Liaison with management, Pre-Audit Committee liaison with Chief Finance Officer and attendance at Audit Committee.	Ongoing	✓	✓	✓	✓	N/A
FK03-23	Internal Control Evaluation – reported in the 2022/23 Annual Report	Holistic assessment of the internal control environment in preparation for production of 2022/23 Annual Report in time to allow corrective action.  Follow-up of previous agreed governance actions including Internal Audit recommendations.	March 2023 June 2023	✓	✓	✓	✓	N/A
FK04-23	Workforce	The HSCP will undertake focussed work to look at the baseline workforce pressures to enable effective future planning / modelling, whilst reviewing the impact of work undertaken to consider further opportunities to address workforce challenges.  Information to inform an initial baselining exercise is not held and a date of September 2024 has been agreed for completion of this. This audit cannot be carried out until the initial baselining exercise has been completed and it has been deferred for consideration in the 2024/25 internal audit annual plan.	<del>May 2023</del> <del>November 2023</del> tbc	✓	✓	N/A	N/A	N/A
FK05-23	Strategic Plan	Review of the revised Strategic Commissioning Plan against Strategic Planning principles developed by FTF and implemented in other FTF IJB clients.	March 2023 <del>December 2023</del> June 2024	✓	✓	✓		

Ref	Audit	Indicative Scope	Target Audit Committee	Planning stage	Work in Progress	Draft Issued	Complete	Grade
FK01-24	Audit Planning	Agreeing audit universe and preparation of strategic plan.	March 2023	✓	✓	✓	✓	N/A
FK02-24	Audit Management	Liaison with management, Pre-Audit Committee liaison with Chief Finance Officer and attendance at Audit Committee.	Ongoing	✓	✓			N/A
FK03-24	Annual Internal Audit Report (2022/23)	CIA's annual assurance statement to the IJB and review of governance self-assessment.	June 2023	✓	✓	✓	✓	N/A
FK04-24	Risk Management	Review and commentary on the Strategic Risk Register. Advice and assistance on development of risk appetite.  Follow up of action to address previous internal audit IJB risk management recommendations.	<del>September 2023</del> March 2024 June 2024	✓	✓			N/A
FK05-24	Audit Committee self-assessment	Assistance with completion of self-assessment against good practice principles.	<del>March 2024</del> June 2024	✓	✓			

## Relevant reports from partner bodies relevant reports from partner bodies

Report No.	Report Description	Opinion	Key Findings
<b>NHS Forth Valley Internal Audit Reports</b>			
A08/24	<p>NHS Forth Valley Internal Control Evaluation 2023/24</p> <p>Final report issued – 23 January 2024</p> <p>NHS FV Audit &amp; Risk Committee – 26 January 2024</p>	Reasonable Assurance	<p>The review provides an early warning of any significant issues that may affect the NHS Forth Valley Governance Statement. The final ICE report contains 12 recommendations, intended to embed good governance principles and to ensure coherence between Governance Structures, Performance Management, Risk Management and Assurance. The report provides Reasonable Assurance on the overall system of controls.</p> <p><u>Key themes within the report included:</u></p> <ul style="list-style-type: none"> <li>• Short term risks must be balanced against longer term risks which can only be mitigated through strategic change set out in an achievable strategy accompanied by realistic objectives and robust prioritisation. The draft Healthcare Strategy 2024-2029 was originally planned for submission to the March 2024 Board, but to ensure appropriate and clinical and public health input to the process, a new date for finalisation will be agreed by the Board, most likely in early summer 2024.</li> <li>• There is a requirement for all clinical and care governance risks and issues to be reported to the Clinical Governance Committee (CGC), including those relating to delegated functions, and for improvement actions to be monitored.</li> </ul> <p><u>Key Issues to be considered included:</u></p> <ul style="list-style-type: none"> <li>• Since November 2022, NHS Forth Valley has been operating under Stage 4 of the NHS Scotland Performance Escalation Framework for concerns relating to Governance, Leadership and Culture. The third iteration of the Assurance and Improvement Plan was approved by the Board on 28 November 2023.</li> <li>• On 5 December 2023 the Auditor General published a report on NHS Forth Valley's audited accounts for 2022/23 under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. The report concluded that the Board is responding positively to the escalation framework and has put appropriate governance arrangements in place and made progress. The criticality of making sustained progress, especially under the new leadership and with sufficient resources was emphasised.</li> </ul> <p>Of the 12 Action Points within the ICE report, the following have particular relevance for the Integration Joint Board:</p> <ul style="list-style-type: none"> <li>• Point 3 - Partner Risk Registers: recommending that a mechanism to horizon scan for shared risks, new risks and emerging themes from partners' strategic risk registers should be introduced. This would cover potential risks raised by NHS Forth Valley Directors, IJB items for NHS Forth Valley consideration and NHS Forth Valley items for IJB consideration.</li> <li>• Point 5 – Clinical and Care Assurance: recommending a system should be put in place to ensure reporting to the CGC on clinical and care governance risks and issues relating to functions under the direction of the IJBs.</li> </ul>

Report No.	Report Description	Opinion	Key Findings
<b>NHS Forth Valley Internal Audit Reports</b>			
			All 12 findings and recommendations were accepted by NHS Forth Valley.

Assignment	Opinion	Key findings
<b>Falkirk Council Internal Audit Reports</b>		
<b>Sickness Absence</b>	<ul style="list-style-type: none"> <li>• Roles, responsibilities, policies, and training – <b>Substantial Assurance.</b></li> <li>• Compliance with policies at Service level – <b>Limited Assurance.</b></li> <li>• Availability and adequacy of management information at a Service and corporate level – <b>Substantial Assurance.</b></li> </ul>	<p>All staff consulted were clear about their roles and responsibilities, with adequate training available on all aspects of the Managing Sickness Absence (MSA) Policy, albeit that training modules were not always completed by managers or staff.</p> <p>In general, a robust policy has been established to manage the sickness absence process but greater clarity is required on the rules for calculating amendments to annual leave following a long-term sickness absence, and in the use of the IT system which should be used to record incidents connected to work-related absences.</p> <p>Work on compliance with the MSA Policy responsibilities at Service level highlighted a number of issues. For example:</p> <ul style="list-style-type: none"> <li>• There were several errors in relation to the recording of sickness absence details.</li> <li>• Various stages of the absence management process were not undertaken timeously.</li> <li>• The audit trail was incomplete on numerous instances. There was a lack of documentation to confirm that managers had maintained regular contact with staff on long-term sickness absence and, on occasion, limited evidence to support an absence and documentation was not always uploaded to MyView.</li> </ul> <p>While a sickness absence monitoring regime has been established internal audit identified inconsistent practice in relation to the application of it. For example, the occasional omission of Covid-19 related absences when considering absence triggers.</p>



Assignment	Opinion	Key findings
		<p>Compliance with the sickness absence target of 4% is reported to the Corporate Management Team on a quarterly basis and as the target has not been met in recent years, further quarterly reports covering absence levels, reasons, and options to address high absence rates have been requested from Human Resources by CMT from November 2023 onwards.</p>
<p><b>Use of Purchase Cards</b></p>	<p><b>Substantial Assurance</b></p>	<p>Internal audit was content that budget holders were aware of their responsibilities and guidance in relation to purchase cards had been developed. No incidents of inappropriate purchase card use had been reported and financial management information was regularly produced.</p> <p>Some weaknesses in the existing framework of control were identified and Internal audit made recommendations as follows:</p> <ul style="list-style-type: none"> <li>• All managers of purchase card holders should have access to the SDOL system to allow them to monitor and review the purchase card transactions.</li> <li>• The Cardholder Information Report should include the job title and Service for individual purchase card holders to help ensure that each card holder's continued use of their purchase card is appropriate.</li> <li>• The purchase card procedures should be reviewed ensuring they are up to date.</li> <li>• A schedule to replace virtual (team) purchase cards with physical (individual) cards should be established to comply with RBS policy, to provide enhanced security for online purchases and to enable onetime passcodes to be sent to an individual card holder.</li> <li>• Consideration should be given to whether there is still a need to hold purchase cards that have not been used for over one year.</li> <li>• The credit limit and single transaction limit for each purchase card should be reviewed to ensure that they are appropriate. The need for transaction limits of £9,999,999 should also be</li> </ul>

Assignment	Opinion	Key findings
		<p>considered. In addition, a review should be conducted to ensure that each purchase card holder remains appropriate.</p> <ul style="list-style-type: none"> <li>• The updated Smarter Purchasing and Payment intranet page should include a list of available suppliers for purchase card transactions to ensure consistency with the purchase card procedures.</li> <li>• Evidence that purchase card transactions are being reviewed should be obtained to prevent any inappropriate use of the cards.</li> <li>• Confirmation should be obtained that a purchase card rebate amount of £5,256.00 has been received.</li> <li>• The reasons for card holders not being included on the Cardholder Information Report should be determined to ensure the accuracy of the report and to prevent any unauthorised transactions.</li> <li>• Managers / budget holders should be informed of any temporary changes to purchase card limits to prevent any unauthorised transactions that are facilitated by the circumvention of controls.</li> <li>• Action should be taken to recover the overpaid amounts from 15 identified duplicate payments. An investigation should also be conducted into how these duplicate payments occurred.</li> </ul>