



**PERTH & KINROSS INTEGRATION JOINT BOARD**

1 JULY 2016

**ANNUAL INTERNAL AUDIT REPORT 2015/16**

**Report by Chief Finance Officer**

**PURPOSE OF REPORT**

To provide Perth & Kinross Integration Joint Board (IJB) with the 2015/16 Annual Internal Audit Report for 2015/16.

**1. RECOMMENDATIONS**

It is recommended that the Integration Joint Board:-

- 1.1 Notes the Internal Audit Annual Report for 2015/16 and the conclusion reached that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16

Notes that the Governance Statement set out in the Unaudited Annual Accounts for 2015/16 is consistent with the information that Internal Audit is aware of from their work.

**2. UPDATE**

- 2.1 As part of their agreed Plan for 2015/16, Internal Audit has reviewed the arrangements for Clinical and Care, Financial, Staff and Information Governance and overall Corporate Governance including Risk Management, Performance Reporting and Standing Orders and Financial Regulations. This has provided an initial assessment of the robustness of the governance mechanisms in place to control and direct the IJB's activities and meet the requirements of national guidance and the IJB Integration Scheme. An important aspect of this audit is ensuring that governance documentation and structures of the IJB and the parties reflect a shared understanding of the IJB's role in assurance and in particular the IJB's responsibility for '*operational governance and oversight of integrated services*'.

- 2.2 The Chief Internal Auditor has now submitted an Annual Internal Audit report reporting on the delivery of the Internal Audit plan, summarising key audit findings and recommendations and providing an opinion on the adequacy and effectiveness of internal control.

The IJB are asked to note the following conclusions within the attached report:-

- The IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16
- That the Governance Statement set out in the Unaudited Annual Accounts for 2015/16 is consistent with the information that Internal Audit is aware of from their work.

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**Date of Paper:** 1 July 2016

**PERTH & KINROSS IJB  
INTERNAL AUDIT SERVICE**



**ANNUAL INTERNAL AUDIT REPORT**

**2015/2016**

Issued To: R Packham, Chief Officer  
J Smith, Chief Finance Officer  
  
Perth & Kinross Integration Joint Board  
External Audit

Date: 21 June 2016

## ANNUAL INTERNAL AUDIT REPORT 2015/16

### INTRODUCTION AND CONCLUSION

1. The Integrated Resources Advisory Group (IRAG), established by the Scottish Government to develop professional 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 the arrangements for risk management, governance and control of the delegated resources.
2. This guidance also shows that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.
3. 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 the Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2015/16.
4. The Order establishing the Perth & Kinross Integration Joint Board (the IJB) was passed by the Scottish Parliament on 3 October 2015. The IJB formally ratified the appointment of the Chief Officer in November 2015. The appointment of the Chief Finance Officer was confirmed by the IJB in January 2016.
5. The IJB did not have operational responsibility in year for delegated services. Formal transfer of functions took place on 1 April 2016. My review of the internal control environment for 2015/16 is therefore based solely on the responsibilities of the IJB in year.
6. The IJB has produced a draft Governance Statement with no disclosures for 2015/16.
7. Based on work undertaken I have concluded that:

- **The IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16**

8. 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**

### ACTION

9. The IJB is asked to **note** this report in evaluating the internal control environment for 2015/16 and **consider** any actions to be taken on the issues reported for consideration.

## INTERNAL CONTROL

10. FTF was appointed as the IJB's Internal Audit Service for 2015/16 in November 2015. We can confirm that FTF complies with the Public Sector Internal Audit Standards (PSIAS). Our work in year reviewed, in partnership with the Perth & Kinross Council Internal Audit Service, compliance with the national Financial Assurance (Due Diligence) guidance. We found that the due diligence processes undertaken comprehensively covered the requirements of the national financial assurance and reports met all the requirements of the guidance in relation to risk assessment. Internal Audit also provided advice on the draft financial regulations.
11. 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. Internal Audit validated the assessments reached through discussion with management and examination of the supporting evidence and documentation.
12. Based on our validation work, we can provide assurance on the following key arrangements in place by 31 March 2016; as well as ongoing and planned work in 2016/17. Based on our assessment, we also recommend further issues for consideration by management.
13. Our evaluation of the IJB's Governance Framework is summarised below and shows that the control standards we expected to see at this stage of development of the IJB are in place.

<b>Corporate Governance</b>
<b>Key arrangements in place as at year end 2015/16</b>
<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>• Standing Orders were approved in November 2015 and committee support are arrangements in place;</li><li>• A Scheme of Delegation was approved in March 2016 and included consideration of deputising arrangements;</li><li>• A Performance Framework was approved in March 2016 (to include an assessment of performance in relation to Best Value);</li><li>• The IJB's Risk Policy &amp; Strategy was approved in January 2016;</li><li>• A Strategic Planning Group is in place and the Strategic Commissioning Plan was approved in March 2016 following appropriate consultation. Localities are in place;</li><li>• Directions were formally issued to the parties in March 2016 to carry out delegated functions;</li><li>• The operational framework and first line management arrangements for the partnership were agreed in February 2016;</li><li>• A Participation &amp; Engagement Strategy was approved in January 2016;</li></ul>

- The IJB has a clear relationship with the Community Planning Partnership as an outcome delivery group.

**Developments in 2016/17- in place or planned by management**

- A Code of Conduct for the IJB was adopted in May 2016;
- A draft Governance Statement has been prepared for 2015/16 as part of the annual accounts process and is planned to be presented to the IJB in July 2016;
- Work is ongoing on management structures for the partnership;
- In May 2016, the IJB considered the two Audit Scotland reports on HSCI including recommendations for future action;
- Establishment of an Audit & Performance Committee, appointment of Internal Auditors for 2016/17 and approval of the 2016/17 annual internal audit plan are planned for July 2016;
- Work is ongoing on the strategic risk profile including current and proposed controls;
- Further work is planned on the Large Hospital plan and arrangements for hosted services;
- Corporate support services require to be developed further;
- Further work has been agreed on the development of the performance framework including on the agreed core set of performance measures and targets for reporting to the IJB.

**Recommended further issues for consideration by management**

- Accountability and responsibilities of the IJB in respect of all governance arrangements should be clarified and agreed by the IJB and parties and flow through to risk management and assurance arrangements;
- Structures of assurance should include consideration of reporting lines and the flow of assurance from groups and fora in place up to the IJB (*e.g. P&K Care and Professional Governance Forum*);
- Adoption of an Assurance Framework linking the strategic risk profile and associated controls with assurance processes (*Cf Risk Management Policy and Strategy Appendix 2*);
- A workplan should be developed for the IJB, showing items of business required to be considered in year to deliver the purpose and remit of the IJB as well as any additional reporting agreed by members;
- An Action Points Update should be introduced as a standard agenda item for IJB meetings;
- As integration develops, the requirements for corporate services support may increase. The IJB should formally assess if the level of Corporate Support will be sufficient to enable the IJB to successfully deliver the Strategic Plan;
- The implementation of the proposed actions planned in response to the Audit Scotland reports should be monitored.

<b>Clinical &amp; Care Governance/ Financial Governance/ Staff Governance/ Information Governance</b>
<b>Key arrangements in place as at year end 2015/16</b>
<ul style="list-style-type: none"> <li>• A Tayside-wide Clinical, Care and Professional Governance Framework ('Getting it right for everyone') was adopted and progress on implementation reported to the IJB in year;</li> <li>• Financial Assurance (Due Diligence) was undertaken on budgets to be transferred. This was reviewed by internal audit and reported in March 2016;</li> <li>• Financial regulations were approved in March 2016;</li> <li>• A Workforce and Organisational Development Strategy was agreed in March 2016;</li> <li>• Development sessions have been held for IJB members at each of their meetings to date;</li> <li>• In November 2015, the IJB agreed to become a member of the CNORIS Scheme to ensure appropriate liability and indemnity cover;</li> <li>• An information sharing protocol is in place signed by NHS Tayside and Perth &amp; Kinross Council.</li> </ul>
<b>Developments in 2016/17- in place or planned by management</b>
<ul style="list-style-type: none"> <li>• Implementation and embedding of the Clinical, Care and Professional Governance Framework including adverse event management is ongoing;</li> <li>• Further work is required on the workforce strategy related to locality working;</li> <li>• Progress is being made towards the IJB becoming a signatory to the Scottish Accord in the Sharing of Personal Information (SASPI).</li> </ul>
<b>Recommended further issues for consideration by management</b>
<ul style="list-style-type: none"> <li>• The IJB should work with the parties to develop a Further Scheme of Delegation within the partnership.</li> </ul>

## **ACKNOWLEDGEMENT**

14. 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 2016/17 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.	<b>2</b>	The development of the Risk Management Framework already includes an assessment of current controls and proposed additional controls. All further work to address the issues set out in this report will clearly identify an action plan and associated timescales for implementation. The Audit Committee will be kept updated.	Chief Officer 31 August 2016 Finance