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Internal Audit Annual Assurance Report 2018/19

to

IJB Audit Committee, Chief Officer and Chief Financial Officer

for

Scottish Borders Health and Social Care Integration Joint Board

1 Introduction

The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:

“The chief audit executive (SB IJB’s Chief Internal Auditor) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

2 Audit Opinion on the Governance, Risk Management and Internal Control

My opinion is that, based on our reviews, risk assessments and knowledge, the SBIJB’s governance arrangements, risk management and systems of internal control are adequate, and improvements to these have been implemented during the year.

The IJB operates under good public sector practice governance arrangements. The IJB, as strategic commissioner of health and social care services, gives directions to NHS Borders and Scottish Borders Council for delivery of the services in line with the Strategic Plan. The Scheme of Integration sets out how the managerial arrangements across the integrated arrangements flow back to the IJB and the Chief Officer. These arrangements are further supported by the IJB’s Local Code of Corporate Governance, which is based upon the CIPFA/SOLACE 2016 Framework, and was updated during the year to ensure this key document continues to be relevant and complete by reflecting the appropriate framework for effective governance of the SBIJB’s business, including its role as the strategic commissioning body i.e. setting out when responsibility lies with the Chief Officer, Chief Financial Officer and the Board or where reliance is placed on the arrangements in place at its provider partners.

Improvements to governance arrangements have been implemented in year to address three Internal Audit recommendations made the previous year: The Communications Strategy, which includes processes for consultation and engagement with partner organisations and the public, was updated and approved; Agendas for IJB meetings include sections For Decisions and For Noting to differentiate items for the Board members, thus making the distinction clearer between IJB strategic matters and Provider operational issues; and the IJB Board are now better sighted on progress with ICF funded projects, as the successful delivery of the Strategic Plan relies heavily upon the realisation of ICF and Transformation and Efficiencies programmes.

Effective leadership is essential to the IJB in delivering its strategic objectives. The present governance structure is composed of 10 voting Board members supported by a Chief Officer and a Chief Financial Officer (CFO). The latter role is being fulfilled on an interim basis by a secondee until August 2019. The role of IJB CFO is significant for working with partners to drive financial strategies, promote new ways of working, and evaluate the impact of system redesign to achieve IJB strategic priorities and objectives, and therefore steps are required to recruit to the IJB CFO role on a permanent basis (see Section 6 Action Plan).

A Risk Management Strategy was approved by the IJB on 7 March 2016 which includes the: reporting structure; types of risks to be reported; risk management framework and process; roles and responsibilities; and monitoring risk management activity and performance. In response to a previous Internal Audit recommendation the IJB Strategic Risk Register has been completed and was presented to the IJB Audit Committee on 17 December 2018, where it was agreed that the Board will review the risk register on a six-monthly basis, and was then presented to the IJB Board on 28 January 2019. Risk Management is not yet fully embedded into the culture of the IJB. It is important that the IJB has robust risk management arrangements in place because if objectives are defined without taking the risks into consideration, progress with integration may be negatively impacted should any of these risks materialise.

Performance Management arrangements have been enhanced during the year with the addition of Quarterly Performance Reports to the IJB, thus enabling improved mechanisms to monitor service delivery, and the Performance and Finance Group exercises oversight over performance monitoring and reporting; this addresses two Internal Audit recommendations made the previous year.

3 Scope of the Internal Audit Annual Plan 2018/19

Our review for 2018/19 concentrated on follow up work on previous Internal Audit recommendations and also a specific review of the financial governance of the Integrated Care Fund. We summarise below the work we have undertaken to obtain assurances over the arrangements in place for each area considered and our conclusions on the effectiveness and appropriateness of these arrangements.

Financial Governance

- assess the governance of the Integrated Care Fund and its use to achieve outcomes linked to strategic priorities.

Follow up of previous Internal Audit recommendations

- follow-up of progress on areas of improvement recommended in 2017/18 audit assurance work relating to corporate governance, financial management and performance management.

4 Summary Findings and Conclusions arising from Internal Audit Annual Plan 2018/19 Delivery

Financial Governance

Financial governance and transparency is concerned with the transparent reporting of financial and performance information.

We carried out a specific review of the Integrated Care Fund (ICF) which is a transitional resource to assess the efficacy of decision making and performance monitoring arrangements in the use of the ICF to achieve outcomes linked to strategic priorities, as there is a risk that monies allocated under the fund will fail to achieve strategy objectives if decisions made by the IJB are not acted upon.

At its meeting on 23 April 2018, the IJB received a report detailing all ICF projects. The report contained recommendations from Officers on which projects should be closed in March/April 2018, those which extended into 2019/20 with existing funding carried forward, and those which should be allocated additional funding.

We found that there was no reported expenditure for 5 out of 6 projects which the IJB had directed should be closed, and there was evidence that all NHS led projects had been closed in line with the direction of the IJB. All projects which were directed to close by the IJB did so.

Without appropriate monitoring, reporting and assessment arrangements for ICF projects, it may not be possible to evidence that ICF funded projects are meeting the Board's agreed strategic outcomes. Our review has found evidence that there are individual project plans and that reporting is well developed. Reports to IJB are of necessity summarised to allow strategic oversight.

Conclusion

There is evidence of a thorough and consistent approach to reporting on ICF funded projects. This means that the IJB Board are now better sighted on progress with ICF funded projects as the successful delivery of the Strategic Plan relies heavily upon the realisation of ICF and Transformation and Efficiencies programmes.

5 Follow-up of previous Internal Audit recommendations within Internal Audit Annual Plan 2018/19 Delivery

Recommendations	Agreed management actions	Current Findings	Further Recommendations
1 Corporate Governance – Consultation	Low	March 2019	
The Communications and Stakeholder Engagement Plan should be updated to provide clear guidance on the types of issues that consultation or engagement with the public and service users will take place in the future and when to conduct it. Similarly a clear policy on what, how and when staff and their representatives within the partner organisations are consulted should be developed.	Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: March 2019	The Communications Strategy was presented to the IJB at its meeting on 17 September 2018. The paper includes processes for consultation and engagement with partner organisations and the public. Action complete.	None
2 Corporate Governance – Commissioning	Medium		
Detailed individual project plans should	Responsible Owner: Robert	There is evidence of a thorough and	None

Recommendations	Agreed management actions	Current Findings	Further Recommendations
<p>be developed to support the Commissioning and Implementation Plan.</p> <p>The IJB Board should be better sighted on progress with Integrated Care Fund (ICF) funded projects as the successful delivery of the Plan relies heavily upon the realisation of ICF and Transformation and Efficiencies (T&E) programmes.</p> <p>The Commissioning and Implementation Plan follows on from the Strategic Plan but in future these documents will be combined. The production of a single plan will need to ensure that the lines between strategic and operational decision making are made clear.</p>	<p>McCulloch-Graham, Chief Officer Completion Date: December 2018</p>	<p>consistent approach to reporting on ICF funded projects. Project briefs and PIDs are created at the application stage. Projects are scored in line with a published methodology. Monthly highlight reports are prepared. Evaluation reports are prepared at the end of a project. There are standard project document templates which are deployed. Reports to IJB are of necessity summarised to allow strategic oversight.</p> <p>Action complete</p>	
3 Corporate Governance – Clarity of roles and responsibilities	Medium		
<p>Consideration should be given to making the distinction clearer between IJB strategic matters and provider operational issues when setting agendas for the benefit of the IJB Board Members.</p>	<p>Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: December 2018</p>	<p>Agendas for IJB meetings include sections For Decisions and For Noting to differentiate items for the Board members. Other matters are discussed as part of the regular development sessions.</p> <p>Action complete.</p>	<p>None</p>
4 Corporate Governance – Risk Management	Medium		
<p>The IJB strategic risk register should be finalised.</p>	<p>Responsible Owner: Robert McCulloch-Graham, Chief Officer</p>	<p>IJB Strategic Risk Register has been completed and was</p>	<p>Ensure IJB strategic risks are considered and reviewed</p>

Recommendations	Agreed management actions	Current Findings	Further Recommendations
<p>Ensure IJB strategic risks are considered and reviewed regularly at IJB meetings.</p> <p>Risk management deliberations associated with IJB decision making should be clearly documented.</p>	Completion Date: December 2018	<p>presented to the IJB Audit Committee 17 December 2018.</p> <p>It was agreed that the Board will review the risk register on a six-monthly basis.</p>	<p>regularly at IJB meetings.</p> <p>(See section 6 Action Plan)</p>

5 Performance Management - Framework	Medium		
<p>The IPG should continue to develop performance reporting with emphasis on monitoring:</p> <ul style="list-style-type: none"> • the progress in achieving national and local objectives set; • the quality of services it commissions for users; and • value for money within commissioned services. 	<p>Responsible Owner: Robert McCulloch-Graham, Chief Officer</p> <p>Completion Date: December 2018</p>	<p>The Performance and Finance Group meets every 6 weeks and exercises oversight over performance monitoring and reporting, including the preparation of the Annual Performance Report, quarterly reporting to the IJB and returns to Scottish Government. All performance reports are presented to the Leadership Team, Executive Management Team and the IJB.</p> <p>Action complete.</p>	None

6 Performance Management – Service Failure	Medium		
<p>Consideration should be given to revising the IJB's Clinical and Care Governance Framework to better reflect the respective responsibilities</p>	<p>Responsible Owner: Robert McCulloch-Graham, Chief Officer</p> <p>Completion Date: December 2018</p>	<p>Agendas for IJB meetings include sections 'For Decisions' and 'For Noting'; the latter enables the IJB Board Members to receive</p>	None

Recommendations	Agreed management actions	Current Findings	Further Recommendations
<p>and risks.</p> <p>Rigorous contract / performance management arrangements should be developed such that serious deficiencies in the quality of services provided by either of the partners become apparent.</p> <p>The IJB Board need only receive reports concerning the partner's clinical governance arrangements where a significant existing or emerging clinical and care governance risk could seriously impact the delivery of outcomes for services which it has commissioned.</p>		<p>assurance reports on clinical and care governance and care inspections outcomes from the partner organisations relating to services which the IJB has commissioned.</p> <p>Action complete.</p>	

6 Action Plan

Recommendations in reports are suggested changes to existing procedures or processes. The rating of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The ratings are:

High – Arising from a finding which leaves the IJB open to a very high risk of not achieving its strategic objectives, and where the risk is sufficiently significant to require immediate action within one month of formally raising the issue.

Medium – Arising from a finding which leaves the IJB open to significant risk of not achieving its strategic objectives requiring reasonably urgent action within three months of formally raising the issue.

Low – Arising from a finding which leaves the IJB open to moderate risk of not achieving its strategic objectives requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations.

Recommendations	Agreed action owner and timescale
1 Corporate Governance – Chief Financial Officer	Medium
The Chief Financial Officer role is being fulfilled on an interim basis by a secondee until August 2019. Steps are required to recruit to the IJB CFO role on a permanent basis.	Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: August 2019
2 Corporate Governance – Risk Management	Medium
Ensure IJB strategic risks are considered and reviewed regularly at IJB meetings.	Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: August 2019

7 Public Sector Internal Audit Standards (PSIAS)

The 2018/19 self-assessment of practices against the professional standards PSIAS (2017) has indicated that Scottish Borders Council's Internal Audit function conforms with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, the Attribute Standards and the Performance Standards. This includes the production of this report to communicate the results of its audit work during the year for the Scottish Borders Health and Social Care Integration Joint Board.