

**REPORT TO: SCRUTINY COMMITTEE – 28 JUNE 2023**

**REPORT ON: DUNDEE INTEGRATION JOINT BOARD INTERNAL AUDIT REPORT**

**REPORT BY: CHIEF INTERNAL AUDITOR**

**REPORT NO: 188-2023**

**1.0 PURPOSE OF REPORT**

To submit to Members of the Scrutiny Committee, for information only, the Dundee Integration Joint Board (IJB) internal audit report for Governance Action Plan.

**2.0 RECOMMENDATIONS**

Members of the Committee are asked to note, for assurance purposes, the information contained within this report.

**3.0 FINANCIAL IMPLICATIONS**

None

**4.0 MAIN TEXT**

- 4.1 As stated in the Integrated Resources Advisory Group (IRAG) Finance Guidance, the IJB is responsible for establishing adequate and proportionate internal audit arrangements for reviewing the adequacy of the arrangements for risk management, governance and control of the delegated resources. This includes determining who will provide the internal audit service for the IJB and nominating a Chief Internal Auditor. In line with the IRAG Finance Guidance, the Dundee IJB appointed the Chief Internal Auditor of Fife, Tayside and Forth Valley Audit and Management Services (FTF) / NHS Tayside, as its Chief Internal Auditor. In practice, the resources required to deliver the IJB Internal Audit Plan are provided by the internal audit services within NHS Tayside and Dundee City Council.
- 4.2 The IRAG Finance Guidance specifically recommends that IJB Internal Audit Plans and annual reports are shared with the parent bodies and that, to avoid duplication of efforts and determine areas of reliance from the work of each team / service, the Chief Internal Auditor / Chief Audit Executive for each of the respective bodies should share information and co-ordinate activities with each other and with other external providers of assurance and consulting services. To address and formalise the sharing of internal audit related information in general, a Tayside-wide Internal Audit Output Sharing Protocol, covering key internal audit work across NHS Tayside, the 3 IJBs, and the 3 local authorities was developed and is in place. The Protocol enables the sharing of internal audit outputs beyond the organisation that commissioned the work, in particular where the outputs are considered relevant for assurance purposes.
- 4.3 Under the arrangements detailed at paragraph 4.1 above, a review of the Governance Action Plan was undertaken by FTF on behalf of the IJB. The overall scope of the audit was to evaluate the design and operation of the Governance Action Plan and specifically consider whether the Governance Action Plan provides a complete record of all governance actions, taking account of all relevant sources and as reported to the Performance & Audit Committee provides an accurate picture of the status of each action. The scope also considered unnecessary duplication, arrangements for the amalgamation of similar points and the audit trail of actions closed off as no longer relevant.

4.4 The final internal audit report was submitted to the Dundee IJB's Performance and Audit Committee on 24 May 2023.

4.5 Dundee IJB audit reports are presented to the Performance and Audit Committee for scrutiny purposes and are shared, in accordance with these approved arrangements, with NHS Tayside and the Council's Scrutiny Committee. With this in mind, the Governance Action Plan report is attached at Appendix A.

#### **5.0 POLICY IMPLICATIONS**

This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

#### **6.0 CONSULTATIONS**

The Council's Leadership Team have been consulted in the preparation of this report.

#### **7.0 BACKGROUND PAPERS**

None

Cathie Wyllie, Chief Internal Auditor

DATE: 6 June 2023

# FTF Internal Audit Service

## Governance Action Plan Report No. D06/21

Issued To: V Irons, Chief Officer  
D Berry, Chief Finance Officer

Dundee City Integration Joint Board  
External Audit

C Wyllie, Senior Manager – Internal Audit, DCC  
D Vernon, Principal Internal Auditor- Internal Audit, DCC

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Draft Report Issued	27 February 2023
Management Responses Received	24 April 2023
Target Audit & Risk Committee Date	24 May 2023
<b>Final Report Issued</b>	<b>25 April 2023</b>

## CONTEXT AND SCOPE

1. Good practice guidance, as laid out in the Audit Committee Handbook, emphasises the importance of effective follow up processes to ensure that the actions agreed by management to address control weaknesses identified by the work of Internal and External Audit are actually implemented. The remit of the Performance & Audit Committee (PAC) requires the PAC *'to receive reports, monitor the implementation of agreed actions on audit recommendations and reporting to the IJB as appropriate'*.
2. A Governance Action Plan was first presented and approved at the PAC meeting in March 2019 in response to a recommendation within our Annual Internal Audit Report 2017/18. Since then, our annual reports noted that a number of longstanding complex issues have remained incomplete for a number of years and continue to feature in the IJBs Governance Statement as well as Governance Action Plans. The Governance Action Plan was escalated to the October 2020 meeting of Dundee City IJB who *'instructed the Chief Officer and Chief Finance Officer to ensure these initiatives are implemented in order to strengthen the governance arrangements in place within the Integration Joint Boards governance framework'*.
3. Work was undertaken to produce an integrated Governance Action Plan which was then presented to the PAC in September 2021.
4. Our audit will evaluate the design and operation of the Governance Action Plan and will specifically consider whether:
  - The Governance Action Plan provides a complete record of all governance actions, taking account of all relevant sources;
  - The Governance Action Plan as reported to the Performance & Audit Committee provides an accurate picture of the status of each action;
  - There is no unnecessary duplication, and similar action points aimed at the same outcomes have been appropriately amalgamated with a clear audit trail where actions have been closed off as no longer relevant;
  - Internal Audit can provide enhancements to the format and content of the Governance Action Plan to the Performance & Audit Committee;
  - Internal Audit can provide any additional support in progressing outstanding actions.

## AUDIT OPINION

5. We reviewed Dundee City IJB systems and processes for producing a Governance Action Plan and compared current practice against other FTF clients, in order to share good practice. A grade is therefore not provided for this review.
6. Descriptions of assessment of risks are given in Section 3 of this report.

### Executive Summary

7. Following an internal audit recommendation, the first Governance Action Plan (GAP) was presented to the Performance & Audit Committee (PAC) in March 2019 to monitor progress in implementing internal and external audit action points. Subsequent annual internal audit reports reference the crossover duplication with improvement actions arising from the Ministerial Steering Group (MSG) report as well as areas identified for development in the annual Governance Statement. A recommendation was then made as part of the 2028/29 Annual Internal Audit Report to consider establishing a separate Audit Follow Up process for audit recommendations as distinct from the more high level governance improvement actions.

8. Whilst we note the background to producing one overarching GAP, we now consider this approach to be over complicated and difficult to follow. We recommend that separate reports are maintained and reported to the PAC as follows:
- Internal Audit Report recommendations including those arising from Annual Internal Audit Reports (each meeting)
  - External Audit Recommendations
  - External review recommendations, for example MSG report (as needed/ minimum annually)
  - Governance Statement Improvement Actions
9. Since the introduction of the Action Tracker in November 2021, actions arising from agenda item discussions should be reported within the action points update agenda item.
10. An update to the Terms of Reference for the PAC will be required to reflect the reporting arrangements. To support each report, we recommend that protocols are set up and agreed by the PAC to ensure clarity on the processes and roles for the production of each report. For example, an Audit Follow Up protocol could set out how completion of actions will be validated to provide assurance that the audit recommendations are having the required impact on the original control weakness.

#### **Completeness of the current Governance Action Plan (GAP)**

11. The Governance Action Plan as currently used was initially created based on a review of agenda items discussed by the Performance & Audit Committee (PAC) rather than directly on the actions noted in final internal audit reports or reports by other organisations. We noted that it also includes actions agreed as part of discussions by the PAC which should now be monitored through the Action Tracker for the Committee which has been used since November 2021.
12. In terms of completeness, it also means that reports where governance actions are agreed; but which were taken to the IJB rather than the PAC; are not included, for example the Annual Internal Audit Reports for 2020/21 and 2021/22. Other areas not included which we would have expected to see on the Governance Action Plan are the improvement areas identified in the Governance Statement(s). We have also previously commented in our Annual Internal Audit Reports on the lack of monitoring of actions agreed in response to the MSG report.

#### **Accuracy of Status of Actions in the current GAP**

13. We reviewed the actions (these included action points update and audit report recommendations) noted as complete on a GAP report from the Pentana system on 5 July 2022, and based on our knowledge we can provide assurance that they accurately reflect their status as completed.

#### **Duplication of Actions in the current GAP**

14. A number of themes have emerged and been mirrored across different reports, including several Internal Audit and External Audit annual reports, the MSG report action plan and the improvement actions noted as part of Dundee City IJB's Annual Governance Statement.

15. Whilst duplication of themes across different assurance provider reports is inevitable, to ensure completeness moving forward, Internal Audit are of the opinion that separate reports relevant to each assurance provider (see para 8) should be provided and reported to the PAC. Cross references maybe made within these reports. The issues identified above with regards to completeness require an exercise to be undertaken to organise the actions to be followed up and reported within the respective reports recommended by Internal Audit, which may present the opportunity for consolidation or cross reference.

#### **Future enhancements to the format of the current GAP report to PAC**

16. We reviewed the current format of reporting to assess whether it provides robust assurance over the implementation of agreed actions and allows the PAC to fulfil its remit.
17. As set out above, actions are currently referenced by the agenda item PAC reference number rather than the name or reference of the report they arose from. In addition, actions are grouped by the degree of progress that has been made. It is therefore not possible to use the GAP as a basis for easily assessing progress against one report or area of governance. Consideration should be given to reporting by source as listed in paragraph 8.
18. To ensure meaningful and adequate scrutiny of progress with governance actions, there is scope within each report suggested in paragraph 8 to include the following which will enhance and provide clearer assurance on the status of governance related actions :
- Chart showing total number of action points due broken down into complete, in progress, due date extended, no longer relevant
  - Link to risk (and/or area of governance) –updates should clearly identify risks of non-delivery of actions and these should be summarised in the risk assessment section of the cover paper, which should link to relevant strategic risks.
  - a RAG rating for outstanding actions
  - the drafting of protocols which clarify roles and responsibilities, monitoring and escalation arrangements over each process.

### **ACTION**

19. The action plan at Section 2 of this report has been agreed with management to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

### **ACKNOWLEDGEMENT**

20. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

**Barry Hudson BAcc CA**  
**Regional Audit Manager**

### Action Point Reference 1

#### Finding:

The current GAP does not make it easy to identify if all the recommendations from a specific report/source have been completed. Whilst we note the background to produce one overarching GAP, we now consider this approach to be over complicated and difficult to follow.

#### Audit Recommendation:

An exercise, facilitated by Internal Audit, including reprioritisation of outstanding recommendations is undertaken to ensure completeness of actions to be followed up within the respective reports recommended by Internal Audit, which may present the opportunity for consolidation or cross reference.

We recommend that separate reports are maintained and reported to the PAC as follows:

- Internal Audit Report and Annual Report recommendations
- External Audit Recommendations
- External review recommendations, for example MSG report
- Governance Statement Improvement Actions
- Actions from agenda item discussions to be reported within the standard agenda item – Action Tracker

Areas of enhancement to the reporting could include:

- Chart showing total number of action points due broken down into complete, in progress, due date extended, no longer relevant
- Link to risk (and/or area of governance) –updates should clearly identify risks of non-delivery of actions and these should be summarised in the risk assessment section of the cover paper, which should link to relevant strategic risks.
- a RAG rating for outstanding actions

Consider drafting a Follow Up Protocol to clarify roles and responsibilities, monitoring and escalation arrangements over the process. The PAC Terms of Reference will require updating to reflect the arrangements going forward, along with related protocols.

#### Assessment of Risk:

Significant



Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores.





**Requires action to avoid exposure to significant risks to achieving the objectives for area under review.**



<b>Management Response/Action:</b>	
<p>When first developed, the Governance Action Plan reflected the complicated range of governance arrangements required to be implemented for the IJB as an emerging organisation within a new integrated legislative framework for which there was no previous model to follow. The range of actions continued to be added to at each stage a review on particular aspects of governance was undertaken. It is agreed by management that this has now become overly complicated to manage in a single plan and management agrees that this can now be streamlined against the categories outlined in the report. Management will develop future reporting to the PAC to be consistent with the recommendations.</p>	
<b>Action by:</b>	<b>Date of expected completion:</b>
Chief Finance Officer	September 2023

### Assessment of Risk

To assist management in assessing each audit finding and recommendation, we have assessed the risk of each of the weaknesses identified and categorised each finding according to the following criteria:

Risk Assessment		Definition	Total
Fundamental		Non Compliance with key controls or evidence of material loss or error. <b>Action is imperative to ensure that the objectives for the area under review are met.</b>	None
Significant		Weaknesses in design or implementation of key controls i.e. those which individually reduce the risk scores. <b>Requires action to avoid exposure to significant risks to achieving the objectives for area under review.</b>	One
Moderate		Weaknesses in design or implementation of controls which contribute to risk mitigation. <b>Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.</b>	None
Merits attention		There are generally areas of good practice. <b>Action may be advised to enhance control or improve operational efficiency.</b>	None