

REPORT TO: SCRUTINY COMMITTEE – 14 FEBRUARY 2018

REPORT ON: IJB 2016/17 ANNUAL INTERNAL AUDIT REPORT, 2017/18 INTERNAL AUDIT PLAN AND INTERNAL AUDIT OUTPUT SHARING PROTOCOL

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 45-2018

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee, for information only, the Dundee Integration Joint Board (IJB) 2016/2017 Annual Internal Audit Report and 2017/2018 Internal Audit Plan and, for consideration and approval, the Internal Audit Output Sharing Protocol.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members of the Committee note the contents of the Dundee IJB 2016/2017 Annual Internal Audit Report and 2017/2018 Internal Audit Plan (Extract) at Appendices A and B respectively.
- 2.2 It is also recommended that Members of the Committee note and approve the Internal Audit Output Sharing Protocol at Appendix C.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

- 4.1 The Integrated Resources Advisory Group guidance states that it is the responsibility of 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. This responsibility includes determining who will provide the internal audit service for the IJB and nominating a Chief Internal Auditor. The IJB formally took over operational responsibility of the delegated functions with effect from 1 April 2016.
- 4.2 In May 2016, the Dundee IJB approved the arrangements for the provision of internal audit services to the IJB for the period 2016/17 with a partnership approach between Fife, Tayside and Forth Valley Audit and Management Services (FTF) and Dundee City Council Internal Audit Service. The Chief Internal Auditor from FTF was appointed as the Dundee IJB Chief Internal Auditor. A copy of the Chief Internal Auditor's Annual Internal Audit Report for 2016/17, which was approved at the IJB Performance and Audit Committee (PAC) meeting on 19 July 2017, is attached at Appendix A.
- 4.3 At its meeting on 12 September 2017, the PAC gave approval for the IJB internal audit arrangements to continue for 2017/18. Following this, an Internal Audit Plan for 2017/18 was developed and approved at the PAC meeting of 28 November 2017. An extract from Report PAC37-2017 on Dundee IJB Internal Audit Plan 2017/18 is attached at Appendix B.
- 4.4 A protocol for the sharing of Internal Audit work across the Tayside Integration Joint Boards, Tayside local authorities and NHS Tayside was also approved at the PAC meeting on 28 November 2017 and is attached at Appendix C.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Executive Director of Corporate Services, Head of Corporate Finance and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None.

Pamela Redpath, Senior Manager – Internal Audit

DATE: 25 January 2018

**DUNDEE IJB
INTERNAL AUDIT SERVICE**



ANNUAL INTERNAL AUDIT REPORT

2016/2017

Issued To: D Lynch, Chief Officer
D Berry, Chief Finance Officer

Dundee Integration Joint Board
External Audit- Audit Scotland

Date: 6 July 2017

ANNUAL INTERNAL AUDIT REPORT 2016/17

INTRODUCTION AND CONCLUSION

1. Legislation to implement health and social care integration came into force on 1 April 2016, following the Public Bodies (Joint Working) (Scotland) Act 2014.
2. The Integrated Resources Advisory Group (IRAG) 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 arrangements for risk management, governance and control of the delegated resources.
3. This guidance states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.
4. 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.
5. Guidance issued in April 2017 requires IJBs to prepare their annual accounts and governance statements in accordance with Local Authority Accounts (Scotland) Regulations 2014. These regulations require an authority to:
 - i) Be responsible for ensuring that the financial management of the authority is adequate and effective and that the authority has a sound system of internal control which:
 - (a) facilitates the effective exercise of the authority's functions; and
 - (b) includes arrangements for the management of risk.
 - ii) Conduct a review at least once in each financial year of the effectiveness of its system of internal control.
6. The CIPFA 'Delivering Good Governance' in Local Government Framework 2016 places a responsibility on the authority to ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
7. 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 Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2016/17.
8. This review examined the framework in place during the financial year 2016/2017 to provide assurance to the Chief Officer, as Accountable Officer, that there is a sound system of internal control that supports the achievement of the IJB's objectives. It considered:
 - ✧ Corporate Governance
 - Clinical Governance
 - Staff Governance
 - Financial Governance

- Information Governance

9. The 2015/16 IJB Annual Internal Audit Report recommended that accountability and responsibilities of the IJB in respect of all governance arrangements should be clarified and agreed by the IJB, and thereafter flow through to risk management and assurance arrangements. While the challenges to describing the new HSCI relationships and governance arrangements are well understood by the parties, there remains a need to agree and document a clear, consistent and coherent understanding of HSCI risks and accountabilities, so that comprehensive assurance systems can be developed which reflect shared understanding, minimise duplication as far as possible and ensure there are no omissions. We recognise that the Chief Officer has articulated a clear vision for IJB governance and that the IJB set out its position clearly in a paper on Health and Social Care Governance to the May 2016 IJB Board. However, the details and consequences have not yet been formally agreed with both parties, with further work required to ensure that these principles are embedded within the governance and assurance structures of all three bodies and that the resultant changes are enacted.
10. Whilst not all key principles were formally agreed by year-end and there is no formal agreement setting out the precise responsibilities of the IJBs, Tayside NHS Board and the Councils in relation to operational activities and the exact nature of the delegation of functions to the IJBs, significant progress has been made.
11. As IJBs continue to evolve it is important that there is clarity around these issues particularly in relation to the provision of assurances and risk management as well as a clear understanding around the tripartite roles of IJB Chief Officers.
12. The IJB has produced a draft Governance Statement for 2016/17. This includes a statement that an action plan to meet any identified recommendations from this report will be produced and agreed by the Performance and Audit Committee and will be incorporated into the above Annual Governance Statement to form the final Annual Accounts Statement.
13. As Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2016/17.
14. Based on work undertaken I have concluded that:

- **Reliance can be placed on the IJBs governance arrangements and systems of internal controls for 2016/17.**

15. 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;**
- **The format and content of the Governance Statement in relation to the relevant guidance;**
- **The disclosure of all relevant issues.**

16. The CIPFA publication 'Delivering Good Governance in Local Government Framework 2016' lists key elements of the structures and processes that comprise an authority's governance arrangements and this includes the requirement for 'Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact'.
17. The CIPFA statement on 'The role of the Chief Financial Officer in Local Government' includes 5 principles which are broken down into the core activities and behaviours that belong to the role of the CFO in public service organisations and the organisational arrangements needed to support them. A self assessment assessing compliance against each of these elements as well as referring to evidence demonstrating compliance and explanations for non-compliance was completed.
18. We have validated this self assessment through review of available documentary evidence and through professional judgment of subjective assessments and have concluded that all assessments reached are consistent with our findings.

ACTION

19. The IJB is asked to **note** this report in evaluating the internal control environment for 2016/17 and **consider** any actions to be taken on the issues reported for consideration.

INTERNAL CONTROL

20. Following a meeting of Dundee IJB in May 2016, FTF were appointed as the IJB's Internal Audit Service in conjunction with our Local Authority colleagues. We can confirm that FTF complies with the Public Sector Internal Audit Standards (PSIAS). The 2016/17 internal audit plan was approved by the IJB in December 2016. Audit work has been undertaken, in partnership with the Dundee City Council Internal Audit Service, sufficient to allow the Chief Internal Auditor to provide his opinion on the adequacy and effectiveness of internal controls, with two further reports to be completed by the September 2017 Audit Committee.
21. 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. It was also cross referenced to the requirements of the CIPFA 'Delivering Good Governance in Local Government Framework 2016' and supporting guidance notes for Scottish Authorities. Internal Audit validated the assessments reached through discussion with management and examination of the supporting evidence and documentation.
22. The Audit Committee will also receive additional assurance on the control systems in place within the parent bodies and an understanding of the wider governance and control framework within which the IJB operates, through the presentation of the Dundee City Council and NHS Tayside Annual Internal Audit reports and an assurance letter from the NHS Tayside Audit Committee Chair.

23. Based on our validation work, we can provide assurance on the following key arrangements in place by 31 March 2017; as well as ongoing and planned work in 2017/18. Based on our assessment, we also recommend further issues for consideration by management.

24. Our evaluation of the IJB's Governance Framework is summarised below.

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| A - Corporate Governance | |
| A1 - Key arrangements in place as at year end 2016/17 | |
| <ul style="list-style-type: none"> I. From 1 April 2016, delegated and hosted functions transferred to Dundee IJB and in turn, the IJB directed these functions to be carried out by Dundee City Council or NHS Tayside, and in respect of these matters agreed to make available to NHS Tayside and Dundee City Council the sums determined in accordance with the method set out in the Integration Scheme. II. In May 2016, the IJB approved an updated Code of Conduct for Members of the Dundee IJB in line with the statutory instrument issued and submitted to the Scottish Government. Standing Orders were appropriately updated to take account of this. A Standards Officer was also nominated and held a briefing session with IJB members to advise of their duties and responsibilities with regard to their role within the IJB. III. The IJB noted a paper on Health & Social Care Governance in May 2016. IV. The IJB received a report on implementation of the Strategic and Commissioning Plan in December 2016 informing members of progress towards the strategic shifts. V. A report on the progress in developing and implementing the performance framework was reported to the IJB in August 2016 and to the newly established Performance and Audit Committee in January 2017. This committee also received a report on the process for the annual performance report in March 2017. VI. Following the adoption of the IJB's Risk Management Policy and Strategy in May 2016, the high level risk register was reported to the IJB in August 2016 and to the Performance and Audit Committee in January 2017. The risk register identifies the ten key strategic risks for the partnership alongside the risk owner, inherent and current risk scores, current internal controls action and information on the current status of the risk. VII. In February 2016, the IJB considered the Audit Scotland report on Health and Social Care Integration. The IJB's position with regard to the report recommendations was monitored by the Performance and Audit Committee in January 2017. VIII. The remit and membership of the Performance and Audit Committee was agreed in August 2016 and the first meeting took place in January 2017. IX. In May 2016 the IJB approved the Mainstreaming Equalities Report and | |

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| <p>agreed the reporting cycle.</p> <p>X. Following the 2015/16 Annual Internal Audit Report, a governance action plan was developed and an update reported to the Performance and Audit Committee in January 2017. A number of actions remained outstanding at year end and we have reviewed these to ensure that all issues have been incorporated within this report. These issues should continue to be monitored to ensure they are addressed.</p> |
| <p>A2- Developments in 2017/18- in place or planned by management</p> |
| <p>I. Following the presentation to the IJB of the high level risk register, the CFO was remitted to bring an integrated operational risk register to the IJB as well as continuity plans for operational IJB functions. This is at development stage presently and will be monitored by the Performance and Audit Committee once implemented.</p> <p>II. The standard IJB report structure already requires consideration to be given to implications arising in relation to finance, risk management and equalities issues associated with decision making. An enhanced risk assessment section is to be included in future IJB reports.</p> <p>III. A draft Governance Statement has been prepared for 2016/17.</p> <p>IV. In line with ongoing national work, Dundee IJB is participating in work in relation to further clarification on Large Hospital services and set aside budget. We would recommend that the IJB receive regular updates on these arrangements.</p> <p>V. The Market Facilitation Strategy 'Shaping the Adult Health and Social Care Market in Dundee 2017-2021' was noted by the IJB in April 2017.</p> <p>VI. A mechanism is to be developed for the IJB to formally assess whether the level of Corporate Support it receives is sufficient to enable the IJB to successfully deliver the Strategic Plan. Internal Audit report DD06/17 will also comment on this area.</p> <p>VII. The partnership is contributing towards the development of the Local Outcome Improvement Plan for Dundee.</p> <p>VIII. The Annual Performance report is currently being developed and includes information to address the requirements under Best Value with information drawn from the Transformation Programme, financial information and wider service redesign initiatives.</p> |
| <p>A3 - Recommended further issues for consideration by management</p> |
| <p>I. A Participation and Engagement Strategy was originally approved in February 2016 but no updates have come back to the IJB during 2016/17.</p> <p>II. The IJB received a report in June 2017 on the financial performance of Hosted Services across Tayside for 2016/17 including recovery plans being developed by Angus and Perth & Kinross IJBs for those services facing significant financial pressures. Further work is required on both a Tayside and Dundee basis to update the Memorandum of Understanding for Hosted Services agreed in February 2016, to take into account of the differing governance arrangements emerging amongst the IJBs, as well as to develop performance reporting for hosted services and sharing information across the partnerships.</p> |

- III. The 2015/16 IJB Annual Internal Audit Report recommended that accountability and responsibilities of the IJB in respect of all governance arrangements should be clarified and agreed by the IJB, and thereafter flow through to risk management and assurance arrangements. Whilst progress has been made, including the May 2017 paper referred to above, not all key principles were agreed by all parties across Tayside by the year-end and there is as yet no formal written agreement setting out the precise responsibilities of the IJB, Tayside NHS Board and the Council in relation to operational activities and the exact nature of the delegation of functions to the IJBs.
- IV. The risk register does not currently contain information on assurances in place against the controls for each risk, nor timescales for action. Such reporting arrangements should be reviewed, specifically in relation to explicitly linking objectives, risks, controls/actions and assurances/performance reporting within the context of the IJB governance structures. As set out in paragraphs 9-11 above, risk management arrangements including the Risk Management Strategy should also be reviewed following the conclusion of the governance work currently underway.
- V. Formal reporting of the clarification of deputising arrangements is still due to be presented to the IJB; although a Scheme of Delegation has been presented which provides information on the powers of the deputy without overtly nominating an individual to perform the role.
- VI. Best practise would be for an action points update on decisions taken at previous meetings to be a standing agenda item for the IJB and Performance and Audit Committee.

**B - Clinical & Care Governance/ Financial Governance/ Staff Governance/
Information Governance**

B1 - Key arrangements in place as at year end 2016/17

- I. Financial regulations were adopted in May 2016
- II. On an annual basis the IJB has to formally agree a devolved budget with Dundee City Council and NHS Tayside. In June 2016, the IJB received a report which confirmed the overall delegated budgeted resources from the parties and accepted the level of resources although reference was made to the risk sharing agreement. The same report also included information on service redesign proposals and a cost reduction and efficiency savings plan was approved, to address the shortfall resulting from the level of resources available.
- III. Since August 2016 each meeting of the IJB has received a financial monitoring report which includes updates on the financial position and financial outturn forecasts. Additional partnership funds are also monitored. Details of the Transformation programme of the Dundee HSCP and how this links with the actions reflected in the strategic and commissioning plan were reported in August 2016 and progress is monitored through the financial monitoring reports.
- IV. An overall underspend position was achieved at year end 2016/17. However, this included a substantial overspend on (hosted) NHS Tayside services and GP Prescribing currently directly covered by the risk sharing agreement. Underspends on Dundee City Council Services can be carried

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| <p>forward in reserves. Additionally, there will be a carry forward position of additional specific partnership funds.</p> <p>V. An update was received in February 2017 in relation to the implementation of the Clinical, Care & Professional Governance Framework. The IJB agreed that an exception report is to come to every Performance & Audit Committee meeting and a six monthly report to the IJB beginning October 2017.</p> <p>VI. The Dundee Health and Social Care Clinical, Care and Professional Governance Forum (R2) is in place and met 6 times during the year 2016/17</p> <p>VII. The IJB, as well as the Performance & Audit Committee since its establishment, regularly received outcomes of Care Inspectorate Inspection reports.</p> <p>VIII. The Chief Social Work Officer's Annual report for 2015/16 was reported to the December 2016 IJB meeting. In addition, the IJB received the following reports in year:</p> <ul style="list-style-type: none"> • Independent convenor's biennial report of the Adult Support and Protection Committee 2014-2016; • Annual report of the Drug Deaths Review and Working Group on Drug Deaths in Tayside 2015; • Director of Public Health Annual report 2015/16. <p>IX. The development and implementation of existing and new processes for the partnership's complaints procedure were reported in June 2016. In April 2017, the decision was taken that 3 monthly reports would be provided to the Performance and Audit Committee on complaints.</p> <p>X. A Workforce and Organisational Development Strategy is in place, as well as a Dundee Health and Social Care Partnership Staff Forum which held meetings throughout the year.</p> |
| <p>B2- Developments in 2017/18 - in place or planned by management</p> |
| <p>I. The IJB received an Annual report of the Dundee Health and Social Care Partnership Clinical Governance and Risk Management Forum (R2) in June 2017.</p> <p>II. Developments are planned to ensure appropriate assurance on clinical & care governance which includes a review of the remit, membership and reporting arrangements of the R2 forum. The R2 group is now also reporting to the NHS Tayside Clinical Quality Forum.</p> <p>III. As agreed by the IJB in October 2016, the CFO is to bring back a paper on the final financial implications and any subsequent issues arising following full implementation of the living wage commitment for care workers in adult social care.</p> <p>IV. A Scheme of Delegation for the Chief Officer as well as a Reserves Policy for the IJB were approved in April 2017.</p> <p>V. Work is ongoing in relation to an Information Sharing Protocol for a new client management system to be implemented.</p> |

B3 - Recommended further issues for consideration by management

- I. A Scheme of Further Delegation needs to be documented for IJB services directed to NHS Tayside and Dundee City Council.
- II. Whilst workforce is one of the high level risks of the IJB, reporting on workforce and staff governance is currently limited at IJB level. Consideration should be given to reporting arrangements against the Workforce and Organisational Development Strategy, as well as the partnership forum.
- III. Developments in relation to clinical and care governance should take into account the Social Work Scotland guidance document on Governance for quality social care in Scotland.
- IV. Consideration should be given to arrangements required by the IJB to comply with Freedom of Information and Public Records legislation.

ACKNOWLEDGEMENT

25. 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 the 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 2017/18 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. | 2 | Agreed: Action Plan to be reported to the Performance and Audit Committee. | Chief Finance Officer To be presented to the Performance and Audit Committee meeting in September 2017 |



REPORT TO: PERFORMANCE & AUDIT COMMITTEE – 28 NOVEMBER 2017
REPORT ON: DUNDEE IJB INTERNAL AUDIT PLAN 2017/18
REPORT BY: CHIEF FINANCE OFFICER
REPORT NO: PAC37-2017

1.0 PURPOSE OF REPORT

The purpose of this report is to consider the proposed Dundee Integration Joint Board's 2017/18 Internal Audit Plan

2.0 RECOMMENDATIONS

It is recommended that the Performance & Audit Committee (PAC):

- 2.1 Notes and approves the proposed Dundee Integration Joint Board 2017/18 Internal Audit Plan as outlined in Appendix 1.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

- 4.1 Following confirmation of Dundee Integration Joint Board's Internal Audit arrangements at the September Performance and Audit Committee, Dundee IJB's Chief Internal Auditor and the Chief Officer and Chief Finance Officer have considered the key areas of the IJB's activities which would benefit from Internal Audit assessment during 2017/18. This includes areas of risk as highlighted in the IJB's Risk Register. The Chief Internal Auditor has subsequently developed a proposed Internal Audit plan which sets these and other audit governance issues alongside the level of internal audit resource available (see Appendix 1).
- 4.2 As per Audit Scotland's recommendation and subsequent agreed action following the Dundee IJB External Audit Annual Report 2016/17, presented to the September 2017 Performance and Audit Committee, progress of the Internal Audit Plan will become a standing item on future Performance and Audit Committee agendas.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Equality Impact Assessment. There are no major issues.

6.0 RISK ASSESSMENT

This report has not been subject to a risk assessment as it a status update and does not require any policy or financial decisions at this time.

7.0 CONSULTATIONS

The Chief Officer, Chief Internal Auditor and the Clerk were consulted in the preparation of this report.

8.0 BACKGROUND PAPERS

None

Dave Berry
Chief Finance Officer

Date: 6TH November 2017

1. BACKGROUND

As stated in the IRAG guidance, it is the responsibility of 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. Following a meeting of Dundee IJB in March 2016, Fife, Tayside and Forth Valley Audit and Management Services (FTF) were appointed as the IJB's Internal Audit Service annually on an ongoing basis.

Resources to deliver the plan will be provided by the NHS Tayside and Dundee Council Internal Audit services. A total of 40 days have been included in the 2017/18 Internal Audit Plans of the parties.

The 2016/17 Internal Audit Plan stated that '*Within the first year, we will identify areas for inclusion within the audit universe and develop a 3 year strategic audit plan congruent with the IJB's risk register.*' However, it is now clear that the development of a 3 year plan would not be appropriate given the emergent nature of the IJB, the continuous development and understanding of the control and risk environment in which the IJB operates and the changing needs of the organisation. It has therefore been concluded that the discretionary elements of this year's plan will be focused around the Dundee IJB's Strategic Risk Register, with individual topics also informed by the professional views of the IJB Chief Officer and Chief Financial Officer and the Chief Internal Auditors of both parties.

It also takes account of assurance which can be provided to the IJB based on work performed under the Internal Audit plans of both parties.

We would highlight that the plan is predicated on the basis that operational controls over services are maintained and assured through the parties. As such, the Internal Audit plans of NHS Tayside and Dundee City Council are included as Appendices A & B to this report. Performance & Audit Committee members are asked to note the audits highlighted which are likely to be shared under the protocol for sharing Internal Audit outputs as presented separately on the agenda and which will provide additional assurance to the IJB.

The audit plan is designed to provide the Chief Internal Auditor with sufficient evidence to form an opinion on the adequacy and effectiveness of internal controls.

The draft operational plan for 2017/18 has been designed to target the priority issues identified by our assessment of risk. The plan includes the delivery of standard products required each year, and is further based on professional judgement of the IJB risk environment. We therefore assessed audit need based on the IJB's own strategic risks as well as developments identified by management and recommendations from our 2016/17 Annual Internal Audit Report, as well as benchmarking with other IJBs. We have also discussed the proposed plan with the Chief Officer and Chief Finance Officer to ensure the substantive audit assignments add value.

The proposed plan is set out below:

| Ref | Audit | Indicative Scope | Days | Target Audit Committee |
|---------------|------------------|---|------|------------------------|
| D01-18 | Audit Planning | Agreeing audit universe and preparation of strategic plan | 3 | August 2017 |
| D02-18 | Audit Management | Liaison with managers and Directors and attendance at Audit Committee | 4 | Ongoing |

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|---------------|-----------------------------------|--|----|---------------|
| D03-18 | Annual Internal Audit Report | CIA's annual assurance statement to the IJB and review of governance self-assessment | 7 | June 2018 |
| D04-18 | Risk Management | Review of systems of risk management, assessment of risk maturity and consideration of assurances mechanisms for key controls | 10 | December 2017 |
| D05-18 | Transformation & Service Redesign | Addresses Corporate Risks 2/9/10 Review of system for prioritisation of service redesign options, financial impact and link to savings plans, stakeholder engagement and project management | 16 | March 2018 |

Work to deliver the internal audit plan is undertaken under the supervision of the Chief Internal Auditor. An Internal Audit Joint Working Protocol has been agreed by the Internal Auditors of both parties and is presented separately, as is the Protocol for sharing Internal Audit Outputs.

4. CONSULTATION

The Chief Officer, the Chief Finance Officer and the Head of Community Health and Care Services have been consulted on the content of this paper. The draft plan has also been issued to the Head of Internal Audit of Dundee Council and the IJB's external auditors for comment.

A Gaskin BSc ACA
Chief Internal Auditor



REPORT TO: PERFORMANCE & AUDIT COMMITTEE – 28 NOVEMBER 2017

REPORT ON: INTERNAL AUDIT OUTPUT SHARING PROTOCOL

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: PAC36-2017

1.0 PURPOSE OF REPORT

The purpose of this report is to consider a proposed protocol for the sharing of Internal Audit work across the Tayside Integration Joint Boards, Tayside local authorities and NHS Tayside.

2.0 RECOMMENDATIONS

It is recommended that the Performance & Audit Committee (PAC):

- 2.1 Notes and approves the proposed Sharing of Audit Outputs Protocol as outlined in Appendix 1, subject to approval by all relevant parties.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

- 4.1 The Internal Audit arrangements in place across all three Tayside IJB's consists of FTF Audit, the Internal Audit service provider for NHS Tayside, appointed as Chief Internal Auditor for each IJB with support provided from each of the local authority internal audit services. In the new integrated environment, there will often be a need to share internal audit outputs beyond the organisation that commissioned the work particularly when the audit output (e.g. internal audit reports / recommendations) is considered relevant to one or more of the other partners for assurance purposes. It is important this sharing of information is facilitated through a controlled process to facilitate joint working, protect confidentiality and avoid duplication of effort.
- 4.2 The attached Sharing of Audit Outputs Protocol sets out the principles in relation to this sharing of information in order that all parts of the system receive appropriate information on the adequacy and effectiveness of internal control within their scope, including controls operated by other bodies which impact on their control environment. This protocol has been developed following discussions between FTF Audit and the Local Authority Chief Internal Auditors and is intended for consideration by all relevant Audit Committees.
- 4.3 In addition there is the need to consider the rights of IJB audit staff who may require access to Health Board employees, documents and property. Currently, under the Standing Financial Instructions (SFIs) and the NHS Tayside Internal Audit Charter, such rights are granted to NHS Tayside designated Auditors conducting audits within NHS Tayside. SFIs and the Audit Charter state that

"The Director of Finance or designated auditors are entitled without necessarily giving prior notice to require and receive:

- Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- Access at all reasonable time to any land, premises or employee of each organisation;

- The production of any cash, stores or other property of each organisation under an employee's control; and
- Explanations concerning any matter under investigation.”

4.4 IRAG guidance requires the sharing of IJB Internal Audit plans and annual reports with the parent bodies. The attached paper extends that principle to allow for relevant assurances to be provided to each body within the system. Additional consideration will also need to be given to the scope of the information provided; NHS Tayside's Internal Audit Reporting protocol allows all Audit Committee members full access to all NHS Tayside Internal Audit Reports and all reports graded 'D' or below are presented in full to the Audit Committee. The same systems do not apply within all Local Authority Partners and there will need to be further discussion on the issue of whether IJB Audit Committee members will be entitled to receive full reports from the parent bodies and vice-versa.

4.5 This protocol has been agreed in principle by NHS Tayside's Chief Executive. Further consideration of the legal framework around this is being considered by Dundee City Council and therefore the protocol has not to date been presented to Dundee City Council's Scrutiny Committee for approval. The adoption of this protocol for Dundee IJB is therefore dependent on it being adopted by all three parties.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Equality Impact Assessment. There are no major issues.

6.0 RISK ASSESSMENT

This report has not been subject to a risk assessment as it a status update and does not require any policy or financial decisions at this time.

7.0 CONSULTATIONS

The Chief Officer, Chief Internal Auditor and the Clerk were consulted in the preparation of this report.

8.0 BACKGROUND PAPERS

None

Dave Berry
Chief Finance Officer

Date: 6th November 2017

Tayside IJBs / NHS Tayside / Tayside Local Authorities – Sharing of Audit Outputs Protocol

Introduction

FTF Audit, the Internal Audit service providers for NHS Tayside, were appointed to provide the Chief Internal Auditor function for all Tayside IJBs with the Internal Auditors of both parties providing input to the delivery of the IJB audit plans. This arrangement will be reviewed by all Tayside IJBs in 2017/18.

In the new integrated environment, there may be a need to share internal audit outputs beyond the organisation that commissioned the work, in particular where the output (e.g. internal audit reports, follow-up reports, internal audit plans and internal audit annual report / opinion) is considered relevant to one or more of the other partners for assurance purposes. It is important that this sharing of information happens in a controlled manner to facilitate joint working, protect confidentiality and avoid duplication of effort.

Integrated Resource Advisory Group (IRAG) guidance states that “ *To ensure that the risk based audit plans for the Integration Joint Board, Local Authority and Health Board are co-ordinated to ensure proper coverage, avoid duplication of efforts and determine areas of reliance from the work of each team, it is recommended that the Chief Internal Auditors for each of the respective bodies share information, co-ordinate activities with each other and with other external providers of assurance and consulting services.* ”

This paper sets out principles in relation to the sharing of Internal Audit outputs and granting of access, 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. Throughout this paper, Audit Committee refers to the Standing Committee of the organisation charged with responsibility for audit and assurance.

Audit Planning

IRAG guidance states that ‘*The risk based audit plan should be developed by the Chief Internal Auditor of the Integration Joint Board and approved by the Integration Joint Board or other committee (see 2.6 Audit Committees). It is recommended that it is shared with the relevant committees of the Health Board and Local Authority.*’ This principle is agreed and the approved IJB annual internal audit plans will be shared with the relevant committees of NHS Tayside and the Tayside Local Authorities.

Given that the IJBs are reliant on assurances provided by the parties on their systems and also to ensure that plans can be seen to be coherent over the whole system, the Internal Audit plans of the Health Board and Local Authorities will also be presented to the IJB Audit Committee for noting. This will also provide each Audit Committee, whilst respecting the primacy of the organisation for whom the report is prepared, with the opportunity to identify any relevant audits from another body which they may wish to receive assurance from and to highlight any areas where they might wish to ensure that particular issues, relevant to their IJB are taken into account.

Individual Audit Reports

IJB Audits

When conducting audits of the IJB, FTF and Local Authority Internal Auditors will use their respective methodologies, both of which are compliant with Public Sector Internal Audit Standards (PSIAS). However, an agreed standard report format will be used for all IJB Internal Audit Reports. The Internal Auditors have separately agreed a joint working protocol which sets out the audit process for all work which will be conducted within the terms of Internal Audit Charter approved by each IJB Audit Committee and the requirements of PSIAS.

A summary final report for each audit assignment will be presented to the IJB Audit Committee for scrutiny purposes, with a full copy available to IJB Audit Committee members on request. These summary reports shall also be shared with the NHS Tayside and relevant council Audit Committee(s).

NHS and Local Authority Internal Audits

At the beginning of each audit year, and on an ongoing basis, the respective internal auditors, taking into account the views of the IJB Chief Officer, IJB Chief Internal Auditor and IJB Audit Committee, will review their audit plans to identify any audits of the parent bodies (NHS Tayside and Dundee City Council, Perth & Kinross Council, Angus Council) that may be of relevance to the IJB. For these audits, summaries of the final reports, or relevant issues from within those reports, will be presented to the IJB Audit Committee.

If, for any other completed audits, the auditor believes there may be issues which impact on the IJB control environment, the IJB Chief Internal Auditor will be notified so that arrangements can be made to report the relevant findings to the IJB Audit Committee.

The final audit reports issued shall follow the normal reporting routes established for internal audit reports within the parent bodies; this shall include being presented to their respective Audit Committees. The parent body Audit Committee shall be advised if the report, or any part thereof, is to be shared with the IJB Audit Committee.

When either an NHS Tayside or a Dundee City Council/ Perth & Kinross Council/ Angus Council final internal audit report has been identified as relevant to the IJB, the audit report shall be presented in summary at the next meeting of the IJB Audit Committee. These summary reports shall also be shared between NHS Tayside and Dundee City Council / Perth & Kinross Council / Angus Council internal audit services.

Annual Internal Audit reports

IRAG guidance states that *'It is recommended that the Integration Joint Board annual internal audit report is shared with the partner Health Board and Local Authority through the reporting arrangements in those bodies for internal audit.'* The IJB Chief Internal Auditor shall prepare an IJB Internal Audit Annual Report and opinion and in accordance with IRAG guidance, it will be shared with the parent bodies and reported through their own internal audit reporting procedures. Again, this principle will be extended and reciprocated so that Local Authority and Health Board Annual Internal Audit Reports are presented to the IJB Audit Committee for noting as part of the overall assurance portfolio in support of the governance statement.

Review Date: September 2018