

REPORT TO: SCRUTINY COMMITTEE – 10 FEBRUARY 2021

REPORT ON: DUNDEE INTEGRATION JOINT BOARD INTERNAL AUDIT REPORT

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 53-2021

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 on Finance.

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. Time is specifically allocated in the Council's Internal Audit Plan to support the IJB Chief Internal Auditor through the provision of a number of internal audit reviews within the services operationally delegated to the IJB.

4.2 Under the arrangements detailed at paragraph 4.1 above, a review of Finance was undertaken by the Council's Internal Audit Service on behalf of the IJB. The overall objective of the audit was to review the arrangements established to control and mitigate Risks 1, 'Restrictions on Public Sector Funding' and 2, 'Unable to maintain IJB spend', from the high-level risk register. More specifically:

- Reviewing the arrangements in place for the delivery of the recommendations arising from the Ministerial Strategic Group Self-Evaluation for the review of progress with integration of Health and Social Care as it relates to financial planning and management; and
- Reviewing the recommendations arising from the Audit Scotland IJB Annual Audit Reports for 2017/18 and 2018/19 to determine the progress made in completing the recommendations made as they relate to financial planning and management.

The corresponding internal audit report was submitted to the IJB's Performance and Audit Committee on 3 February 2021.

4.3 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 Auditors 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. This was subsequently submitted to and approved by the Council's Scrutiny Committee at its meeting on 14 February 2018 (Article VII

of the minute of this Committee of 14 February, 2018 refers). 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. 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 report on Finance is attached at appendix A.

5.0 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. 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: 20 January 2021

FTF Internal Audit Service

Dundee IJB

Finance

Report No. D05/19

Issued To: Dundee IJB Officers
V Irons, Chief Officer
D Berry, Chief Finance Officer

NHS Tayside Officers
S Lyall, Director of Finance

Dundee City Council Officers
D McCulloch, Head of Health and Community Care
G Colgan, Chief Executive, Dundee City Council
S Flight, Head of Corporate Finance

Performance & Audit Committee
External Audit
P Redpath, Senior Manager- Internal Audit, DCC

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Draft Report Issued	7 December 2020
Management Responses Received	8 January 2021
Target Audit & Risk Committee Date	3 February 2021
Final Report Issued	18 January 2021

CONTEXT AND SCOPE

1. Dundee IJB is required under sections 18 and 22 of the Public Bodies (Joint Working) Scotland Act to direct the resources it receives from the Local Authority and Health Board in line with its Strategic Plan. On an annual basis, Dundee IJB has to reach a budget settlement with both Dundee City Council and NHS Tayside regarding resources that will be devolved to the IJB to support delivery of local Health and Adult Social Care Services.
2. The formal process for agreeing the budget settlements is set out in the Integration Scheme. The budget settlement is derived from a series of discussions with partners, once Scottish Government budget information is available. Information regarding the 2019/20 budget initially became available in December 2018 but was refined in February 2019 as the Government reached agreement regarding its final 2019/20 budget.
3. Information for the 2020/21 budget became available from the Scottish Government in January 2020, following the General Election in December 2019. Both the Council and NHS Tayside were also developing their budgets at the same time and implications from both organisations' budgets were considered as part of the arrangements for finalising the 2020/21 budget.
4. The Dundee Health and Social Care Partnership (DH&SCP) / IJB High-Level Risk Register contains 2 risks which impact on the continuing delivery of the service and the ability to meet its aims as outlined within the Strategic and Commissioning Plan. The first risk relates to Restrictions on Public Sector Funding and reflects that continuing restrictions on public sector funding will impact on Local Authority and NHS budget settlements in the medium term. The second risk relates to the inability to maintain the IJB spend within allocated resources.
5. Our audit reviewed the arrangements established to control and mitigate Risks 1, 'Restrictions on Public Sector Funding' and 2, 'Unable to maintain IJB spend', from the high-level risk register and specifically:
 - Reviewed the arrangements in place for the delivery of the recommendations arising from the Ministerial Strategic Group (MSG) Self-Evaluation for the review of progress with integration of Health and Social Care as it relates to financial planning and management.
 - Reviewed the recommendations arising from the Audit Scotland IJB Annual Audit Reports for 2017/18 and 2018/19 to determine the progress made in completing the recommendations made as they relate to financial planning and management.

AUDIT OPINION

6. The Audit Opinion of the level of assurance is as follows:

Level of Assurance		System Adequacy	Controls
Limited Assurance		Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively	Controls are applied but with some significant lapses.

		manage risks to the achievement of objectives in the area audited.	
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A description of all definitions of assurance and assessment of risks are given in Section 4 of this report.

7. The 2019/20 Annual Internal Audit Report stated that: *'A high proportion of issues previously highlighted by ourselves and others which have resulted in agreed recommendations have not been taken forward as expected. Whilst Covid19 may have had some impact, it is not, in our view, the primary cause of the failure to deliver these key changes. We have also reported a number of areas where update reports were promised but not delivered.'* Our findings in this audit re-iterate the same issues.
8. A number of actions arising from previous external audit reports remain outstanding and have now been incorporated in the 2019/20 Annual External Audit Report. Those actions carried forward echo the themes raised in previous Annual Internal Audit Reports as well as improvement actions agreed as part of the MSG self evaluation.
9. In response to the recommendation arising from the Annual Internal Audit Report 2019/20 on the non-delivery of a high proportion of actions agreed with Internal Audit and others, the Chief Finance Officer presented the Governance Action Plan Update report to the full IJB in October 2020, and included additional information on remedial actions required, revised completion dates as well as setting out initiatives required to allow progress.
10. However, actions arising from the MSG improvement plan were not included in this process.
11. Following the presentation of an action plan in response to the Transformation & Service Redesign Internal Audit report to the PAC in May 2019, the May PAC *'instructed the Chief Finance Officer to provide an update on the Action Plan to the meeting of the Committee to be held in September 2019'*. However, this update was not provided, nor were the actions added to the Governance Action Plan and because there is no process to review agreed actions at the next meeting of a group, this oversight was not noticed. This echoes a finding from our 2017/18 Annual Internal Audit Report in relation to the lack of action point updates to the next meeting.
12. The risks highlighted in the IJB High-Level Risk Register in relation to Finance have been mitigated in part by the actions completed to date following the MSG Self-Evaluation and the completion of actions raised by Audit Scotland. In addition, the enhanced communication channels between the partners and the IJB have improved the approach to agreeing financial planning and management matters. However, the controls noted against the strategic financial risks have not been updated. We would recommend that as part of the next risk review, action taken in response to MSG and external audit recommendations should be incorporated into controls and reflected within risk scores.
13. Detailed findings/information is included at Section 3.

ACTION

14. 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

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

A Gaskin, BSc. ACA
Chief Internal Auditor

Action Point Reference 1**Finding:**

Internal Audit has reviewed progress against the actions arising from the Ministerial Strategic Group (MSG) Self-Evaluation for the review of progress with integration of Health and Social Care within the Integrated Finances and Financial Planning section. Whilst some progress has been made, a number of actions remain outstanding and neither the PAC nor the IJB have been updated on the current position or the impact of Covid19 on future ability to deliver the agreed actions.

A number of actions arising from previous external audit reports remain outstanding and have now been incorporated in the 2019/20 Annual External Audit Report. Those actions carried forward echo the themes raised in previous Annual Internal Audit Reports as well as improvement actions agreed as part of the MSG self evaluation.

In response to the recommendation arising from the Annual Internal Audit Report 2019/20 on the non-delivery of a high proportion of actions agreed with Internal Audit and others, the Chief Finance Officer presented the Governance Action Plan Update report to the full IJB in October 2020, and included additional information on remedial actions required, revised completion dates as well as setting out initiatives required to allow progress.

However, actions arising from the MSG improvement plan are not included in this process.

Audit Recommendation:

Given the multiplicity of potentially overlapping audit and MSG recommendations and the impact of Covid19, we recommend that the actions be combined into a holistic action plan, reprioritised in light of changes to management capacity and risk. Internal Audit have recently written a template for this purpose which could be adapted for use by the IJB.

This action plan should be approved and monitored by the PAC and any non-delivery escalated to the IJB Board and/or Risk Register as required.

Assessment of Risk:

Significant



Weaknesses in control or design in some areas of established controls.

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

Management Response/Action:

The weaknesses identified have largely been reported previously. The template prepared by Internal Audit noted above will be used to reprioritise and focus on remaining significant actions outstanding.

Action by:**Date of expected completion:**

Chief Finance Officer

31 March 2021

Action Point Reference 2	
Finding:	
<p>Following the presentation of an action plan in response to the Transformation & Service Redesign Internal Audit report to the PAC in May 2019, the minutes of the PAC in May 2019 show that the PAC <i>'instructed the Chief Finance Officer to provide an update on the Action Plan to the meeting of the Committee to be held in September 2019'</i>; which was not provided. However, there is no process to review agreed actions at the next meeting of a group so this oversight was not noticed.</p> <p>This echoes a finding from our 2017/18 Annual Internal Audit Report in relation to the lack of action point updates to the next meeting.</p>	
Audit Recommendation:	
<p>a) As previously recommended and in line with other required changes to the minuting of meetings, which is now being taken forward, we would recommend again, that actions are clearly identified, properly recorded and an update provided to each meeting of the IJB and PAC.</p> <p>b) Actions arising from the Transformation & Service Redesign internal audit report should continue to be monitored by being added to the Governance Action plan and their current status reported to the PAC.</p>	
Assessment of Risk:	
Moderate	 Weaknesses in design or implementation of controls which contribute to risk mitigation. Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.
Management Response/Action:	
<p>a) Clerk to the Board currently records a range of actions from each meeting however consideration by the IJB and PAC is required as to whether these should become formal items on each agenda.</p> <p>b) This was an oversight and will be reviewed accordingly.</p>	
Action by:	Date of expected completion:
Chief Finance Officer / Clerk to the Board	31 March 2021

Action Point Reference 3	
Finding:	
<p>The risks highlighted in the IJB High-Level Risk Register in relation to Finance have been mitigated in part by the actions completed to date following the MSG Self-Evaluation and the completion of actions raised by Audit Scotland. In addition, the enhanced communication channels between the partners and the IJB have improved the approach to agreeing financial planning and management matters. However, the controls noted against the strategic financial risks have not been updated.</p>	
Audit Recommendation:	
<p>As part of the necessary update of these risks to reflect the impact of Covid19 and other external factors, actions taken in response to MSG and external audit recommendations should be incorporated into controls and reflected within risk scores.</p>	
Assessment of Risk:	
Moderate	 Weaknesses in design or implementation of controls which contribute to risk mitigation. Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.
Management Response/Action:	
<p>Relevant risk controls to be amended accordingly.</p>	
Action by:	Date of expected completion:
Chief Finance Officer	31 March 2021

Follow Up of Financial Planning & management recommendations arising from MSG Improvement actions and Audit Scotland external audit reports

16. The 2019/20 Annual Internal Audit Report stated that: *'A high proportion of issues previously highlighted by ourselves and others which have resulted in agreed recommendations have not been taken forward as expected. Whilst Covid19 may have had some impact, it is not, in our view, the primary cause of the failure to deliver these key changes. We have also reported a number of areas where update reports were promised but not delivered.'* Our findings in this audit re-iterate these issues.
17. The initial MSG Self-Evaluation report submitted to Dundee IJB in June 2019 indicated that progress on implementing the improvement actions identified through the MSG Self-Evaluation process would be submitted to Dundee IJB by 19 December 2019. This did not occur and, to date, no update has been provided to Dundee IJB.
18. A similar report incorporating the self-assessments for Dundee, Perth and Kinross and Angus IJBs was submitted to NHS Tayside in June 2019 and a progress report incorporating an update from each of the local Health and Social Care Partnerships was subsequently reported to the NHS Tayside Board in December 2019.
19. Integrated Finances and Financial Planning is one of the key sections of the MSG Self-Evaluation report and incorporates 6 sub-sections relating to actions required for improvement and best practice.
20. Internal Audit has reviewed progress against the actions within the Integrated Finances and Financial Planning section for Dundee IJB. Whilst some progress has been made against the Finance recommendations in the MSG report, a number of actions remain outstanding and neither the PAC nor the IJB have been updated on the current position or the impact of Covid19 on future ability to deliver the agreed actions.
21. The following points were noted:
 - There are now regular meetings between senior finance officers of NHS Tayside, Dundee City Council and DH&SCP to discuss financial implications and pressures of the arrangements between the parties and wider financial planning.
 - The NHS Tayside budget, which feeds into the budget for DH&SCP was approved in April 2020. Regular discussions and development sessions have been held between NHS Tayside, Dundee IJB and Dundee City Council to provide indications of the budget uplifts / savings required as part of the budget development / budget setting arrangements.
 - Work is continuing to establish financial planning on a whole systems basis. A long-term financial plan / strategy for the IJB is being developed, but its completion and reporting to committee has been delayed and will need to be fundamentally revised to take account of the impact of Covid19.
 - Arrangements for clarifying the value of large hospital set aside budgets to Dundee IJB is continuing. As part of the budget settlement for 2020/21 a further £1million in addition to the 3% uplift was allocated from NHS Tayside to Dundee IJB in relation to large hospital set aside.
 - Work is still ongoing to streamline and strengthen the financial resources available to the Dundee IJB. A Partnership Finance Manager, in the same manner as Angus and Perth and Kinross IJB's has been appointed following a recent recruitment exercise and took up the post in December 2020. Some staff who currently report to NHS Tayside's Director of Finance will report to the Chief Financial Officer. Specific

reports / reporting lines for the IJB will change in the same manner. Funding will be provided by NHS Tayside for this post. Work is also ongoing to transfer reporting responsibilities from NHS Tayside to the Chief Financial Officer and will be implemented when the Depute Chief Financial Officer takes up the post. At present there has been no transfer of Local Authority staff.

- Actions arising from internal audit D06/17-Workforce were referenced as actions on the MSG Improvement Plan. A number of these actions are still outstanding. The last update on progress towards completion of these actions was reported to the IJB PAC in November 2020, with a revised due date noted as March 2021.
22. One of the proposed improvement actions arising from the MSG Self-Evaluation related to *“continuing to improve the contents of Directions in relation to financial implications”*. The initial self-evaluation identified that *“the use of the budget is reflected in directions from the IJB to the Council and Health Board, however we recognise that there is further work to do to develop our practice in this regard and include more detailed financial information in directions.”* As noted in the 2019/20 Annual Internal Audit Report, new Scottish Government guidance on directions issued in January 2020 have not yet been presented and discussed at governance level.
23. Internal Audit have identified instances where a clearer use could have been made of directions and, as in previous years, note that directions are very high level and do not provide the detail now expected.
24. The discussions referred to in the first bullet at paragraph 21 above have been taken forward to assist in improving the support arrangements for the IJB from both Dundee City Council and NHS Tayside. An update to the Governance Action Plan in October 2020 highlights that *“Progress is being made in strengthening the support structure and realigning priorities to ensure that actions are completed.”*

Audit Scotland Annual Report

25. We also followed up actions arising from previous Audit Scotland Annual External Audit Reports as part of the audit fieldwork and the following points were noted:
26. Progress has been made or is now incorporated in the 2019/20 Annual External Audit Report. Those actions carried forward echo the themes raised in previous Annual Internal Audit Reports as well as improvement actions agreed as part of the MSG self evaluation. In addition, outstanding actions are complex ones such as long-term financial planning and linking performance reporting with financial monitoring.

Audit Follow Up process

27. The 2019/20 Annual Internal Audit Report stated that: *‘A high proportion of issues previously highlighted by ourselves and others which have resulted in agreed recommendations have not been taken forward as expected. Whilst Covid19 may have had some impact, it is not, in our view, the primary cause of the failure to deliver these key changes. We have also reported a number of areas where update reports were promised but not delivered.’* Our findings in this audit re-iterate the same issues.
28. A Governance Action Plan covering actions agreed through previous internal reports (including Annual Internal Audit Reports) as well as external audit recommendations was developed and first presented to the PAC in March 2019. As part of our testing of progress towards implementing the audit recommendations contained in the

Transformation and Service Redesign report, we noted that although an action plan was provided to the PAC in May 2019, no progress updates on individual actions have been provided since, nor were the actions added to the Governance Action Plan.

29. Following the presentation of an action plan in response to the Transformation & Service Redesign internal audit report to the PAC in May 2019, the May PAC *'instructed the Chief Finance Officer to provide an update on the Action Plan to the meeting of the Committee to be held in September 2019'*.
30. However, this update was not provided and because there is no process to review agreed actions at the next meeting of a group, this oversight was not noticed.
31. Whilst our follow up work shows that some progress has been made with actions arising from this audit, and some actions are now no longer relevant due to the responsibilities for this area transferring to another group, weaknesses previously reported by Internal Audit in relation to minutes and action points remain, with the consequence that the process for monitoring whether action is taken as agreed is not robust.
32. Further development of the IJB and PAC minutes and papers to ensure full transparency and accurate recording of the discussions, questions asked and assurances provided has been considered. The update within the Governance Action Plan to the November 2019 meeting of the IJB highlights that "Minutes expanded as required to reflect key discussions". However, from review of minutes for 2019/20 IJB meetings there is no evidence of questions being recorded, additional discussions and assurances provided over and above the commentary in the report. However, the 24 November PAC meeting was informed that minutes would improve from January onwards.

Strategic Finance risks

33. The risks highlighted in the IJB High-Level Risk Register in relation to Finance have been mitigated in part by the actions completed to date following the MSG Self-Evaluation and the completion of actions raised by Audit Scotland. In addition, the enhanced communication channels between the partners and the IJB have improved the approach to agreeing financial planning and management matters. However, the controls noted against the strategic financial risks have not been updated. We would recommend that as part of the next risk review, action taken in response to MSG and external audit recommendations is considered as controls as well as the impact on risk scores.
 34. An update to the High-Level Risk Register was submitted to the IJB at its meeting in August 2020. This paper references the actions arising from internal audit report D04/18 Risk Maturity assessment and sets out the work being undertaken by the Tayside Risk Management Group Risk Managers in Dundee, Angus and Perth Health and Social Care Partnerships, NHS Tayside and Dundee City Council. We therefore make no further recommendations in relation to risk management processes.
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Section 4 Definition of Assurance and Recommendation Priorities

Definition of Assurance

To assist management in assessing the overall opinion of the area under review, we have assessed the system adequacy and control application, and categorised the opinion based on the following criteria:

Level of Assurance		System Adequacy	Controls
Substantial Assurance		A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Controls are applied continuously or with only minor lapses.
Reasonable Assurance		There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	Controls are applied frequently but with evidence of non-compliance.
Limited Assurance		Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Controls are applied but with some significant lapses.
No Assurance		Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Significant breakdown in the application of controls.

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:

Fundamental		Non Compliance with key controls or evidence of material loss or error. Action is imperative to ensure that the objectives for the area under review are met.	None
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.	One
Moderate		Weaknesses in design or implementation of controls which contribute to risk mitigation. Requires action to avoid exposure to moderate risks to achieving the objectives for area under review.	Two
Merits attention		There are generally areas of good practice. Action may be advised to enhance control or improve operational efficiency.	None