



**Clackmannanshire
Council**



A meeting of the **Clackmannanshire and Stirling IJB Audit Committee**
21 February 2018 at 2.30 PM
in **Room 3.03 Kilncraigs, Alloa**
Chair: John Ford, Vice Chair of Clackmannanshire and Stirling IJB

Please notify apologies for absence to Ross Wilson rwilson@clacks.gov.uk or on 01259 225082

AGENDA

- 1. Apologies**
- 2. Minute of IJB Audit Committee Meeting of 21 September 2017**
- 3. Matters Arising**
- 4. 2017/18 Annual Audit Plan**
Paul Craig, Audit Scotland For Approval
- 5. Governance Updates including Workplan Update**
Paper by Ewan C. Murray, Chief Finance Officer For Noting
- 6. Internal Audit Charter**
Paper by Kevin O Kane, Chief Internal Auditor For Approval
- 7. Draft Internal Audit Plan 2018/19 and Internal Audit Strategy Update**
Paper by Kevin O’Kane, Chief Internal Auditor For Approval
- 8. Internal Audit Report; Performance Management**
Paper by Kevin O’Kane, Chief Internal Auditor For Approval
- 9. Risk Register**
Paper by Shiona Strachan, Chief Officer For Approval
- 10. AOCB**
- 11. Date of Next Meeting – 27 June 2018**



Minute of the Clackmannanshire & Stirling IJB Audit Committee
Thursday 14th September, 2:30pm – 4:30pm,
Boardroom, Carseview House, Stirling

Present:

Fiona Gavine, Non-Executive Board Member, NHS Forth Valley
Morag Mason, Service User Representative for Stirling
Natalie Masterson, Third Sector Representative for Stirling
Ewan Murray, Chief Finance Officer, Clackmannanshire & Stirling HSCP
Shiona Strachan, Chief Officer, Clackmannanshire & Stirling Health & Social
Care Partnership [HSCP]
Kevin O’Kane, Audit Manager, Corporate Operations, Stirling
Councillor Graham Houston, Elected Representative, Stirling
Councillor Ellen Forson, Elected Representative, Clackmannanshire
Blyth Deans, Audit Scotland
Paul Craig, Audit Scotland

In Attendance:

Ross Wilson, Business Support (minute taker)

1. APOLOGIES

Apologies for absence were intimated on behalf of:

John Ford, (Vice Chair), NHS Forth Valley

Fiona Gavine chaired the meeting in John Ford’s absence.

2. MINUTE OF IJB AUDIT COMMITTEE MEETING OF 16 FEBRUARY

The minute of the previous meeting was accepted as a true and accurate record.

3. MATTERS ARISING

Training: Ewan Murray updated the position as regards training for committee members, advising we were unlikely to be able to arrange anything through CIPFA in the desired time period. There will therefore be a workshop arranged for November around the role of the committee/members and core business.

Action: Kevin O’Kane and Ewan Murray to progress.

Strategic Risk Register: Ewan advised he was not able to bring this to the committee yet as the format and structure of the register was under review. He emphasised the Risk Exception would still be presented to the Integration Joint Board. The full report will be available in the February cycle.

Shiona Strachan advised the highlight report went to the Board for consideration but the main risk register has “presentational” issues which are being considered.

Graham Houston expressed concern that the report was not yet available “in whatever format” and he said he could not give assurances to the Board without sight of it. Shiona advised the report had been seen by JMT.

Action: This will be a standing item going forward.

4. 2016/17 ANNUAL ACCOUNTS

Ewan Murray presented the paper.

He advised that the accounts were prepared in line with the updated guidance on accounting for the integration of health and social care published by the Local Authority Scotland Accounts Advisory Committee (LASAAC) published on 29 March 2017.

The Audit Committee was asked to:

- Approve the 2016/17 Annual Accounts for signing by the Chair, Chief Officer and Chief Finance Officer.
- Note the management commentary and annual governance statement contained within the accounts.
- Note and accept the Independent Auditors report contained within the accounts.
- Approve the publication of the Annual Accounts

5. 2016-17 ANNUAL AUDIT – ISA 260 and ISA 580 and 2016-17 ANNUAL AUDIT REPORT

Paul Craig presented the report and appendices.

The key messages from the report were highlighted as follows;

2016/17 annual accounts

1. Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management

2. *The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.*

3. *The IJB returned a surplus of £3.412 million in 2016/17. This was mainly achieved due to income received in 2016/17 which will be used to finance expenditure in 2017/18. This surplus has resulted in a reserve balance, of which £2.724m is earmarked for specified purposes and £0.688 million is un-earmarked and can be used for general purposes.*

Financial sustainability

4. *Following its agreement of a budget recovery plan in June 2017, the IJB approved a budget which will fully utilise the un-earmarked balance brought forward of £0.688 million. The budget incorporates approved efficiency savings of £4.844 million that are necessary to achieve financial balance in 2017/18.*

5. *It is important that the IJB prioritises long term financial planning to demonstrate financial sustainability and support future developments.*

Governance and transparency

6. *The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.*

7. *We obtained audit assurance over the accuracy and completeness of financial transactions processed by the partner bodies.*

8. *The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.*

Value for money

9. *The audit findings included throughout this report, comment on arrangements that have been put in place by the Joint Board to secure Best Value in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.*

10. *Performance against the national Health and Wellbeing Outcomes is good, with the IJB performing above or in line with the national average in 13 out of the 19 national core integration indicators.*

Paul also highlighted the following;

Exhibit 3 on page 9 of the report – Hospital Acute Services: it was confirmed that further discussions were to take place around “set aside” generally.

Action Plan on page 23 of the report: In terms of Item 1 (Integrated Financial Reporting), Ewan confirmed a review of financial reporting would be taken forward to evolve and improve integrated financial reporting.

There were no questions from the group on the accounts themselves and all recommendations were accepted.

The Auditors confirmed they had been given the access they required and had nothing further to bring to the Committee's attention.

6. GOVERNANCE WORKPLAN

Ewan Murray spoke to the report and appendix.

In response to Fiona's query about the purpose of this, given both NHS and Local Authorities already had a substantial number of governance processes, Ewan advised we were looking to demonstrate that we are making the best use of our resources.

Shiona advised we were required to have Clinical & Care governance in place and this would bring together the three bodies. Directions are very high-level and she wants to ensure we don't get to the point of issuing directions for everything.

The Board Development programme is ongoing and will be reviewed on a rolling basis.

7. INTERNAL AUDIT PROGRESS REPORT

Kevin O'Kane spoke to his report.

All recommendations in Appendix 3 (Action Plan) were accepted by the Committee.

8. INTERNAL AUDIT: DRAFT ANNUAL AND STRATEGIC PLANS

Kevin O'Kane spoke to his report.

Fiona asked about the timescale of 60 days and how this compared to other IJBs. Kevin advised 60 was not uncommon (some were less and some more) and should be adequate to give assurance to the board.

Kevin confirmed he had been given all the access he had required in order to carry this out. Fiona thanked him for his work.

9. ACCOUNTS COMMISSION: SELF-DIRECTED SUPPORT PROGRESS REPORT 2017

Kevin O'Kane spoke to his report.

Shiona felt this was a fair reflection of where SDS is and that there were clearly challenges. She commented on the "large programme of work" and said significant further development on the implementation of Self Directed Support would be required across the partnership.

10. PROPOSED MEETING SCHEDULE – REMAINDER OF 2017/18 AND 2018/19

Dates are proposed for February, June and September 2018.

Ross will confirm exact dates and venues as soon as possible.

11. AOCB

No other business raised.

12. DATE OF NEXT MEETINGS

21st February, 14:30 -16:30, Room 3.03, Kilncraigs, Alloa

Clackmannanshire and Stirling Integration Joint Board

Annual Audit Plan 2017/18



 AUDIT SCOTLAND

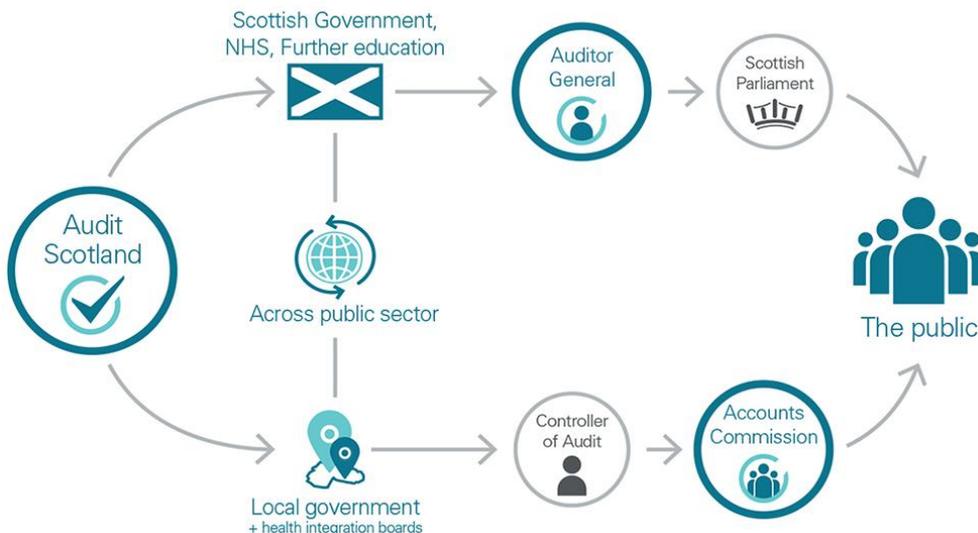
Prepared for Clackmannanshire and Stirling Integration Joint Board

February 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

3. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for Clackmannanshire and Stirling Integration Joint Board (the IJB). We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>
Wider dimension risks		
<p>2 Financial sustainability – 2017/18 budget overspend</p> <p>Based on the latest budget monitoring report for the period to 31st October 2017, the IJB is projecting an overspend of £3.316 million.</p> <p>The IJB budget recovery action currently being carried out is not</p>	<p>Regular financial monitoring is reported to the IJB.</p> <p>The integration schemes outlines the procedures that partner bodies should follow in the event of an overspend.</p> <p>A recovery plan is currently in place which details how the overspend will be partly</p>	<p>Review whether budget monitoring is robust and accurately reflects the financial position.</p> <p>Confirm and assess the steps taken to determine and agree future savings requirements with partner bodies.</p> <p>Review evidence of recovery</p>

Audit Risk	Source of assurance	Planned audit work
<p>expected to produce a balanced financial position for the partnership in 2017/18. Discussions are underway between partners to agree a basis on which to address how the overspend will be managed.</p> <p>Until this is determined and agreed, there is a risk that the IJB cannot confirm its 2017/18 outturn position or whether it has broke even.</p>	<p>funded. Thus far the IJB have identified £0.320 million of efficiency savings and intend to use £1.145 million of its general fund balance to offset the overspend.</p> <p>The next budget update in 2018 and subsequent reports to the IJB will identify plans to achieve savings on a recurring basis and also quantify and consider likely future years estimated funding gaps.</p>	<p>plan or remedial action being taken on areas of overspend.</p> <p>Confirm that partners agree a basis on which to fund the overspend</p>
<p>3 Financial sustainability – short term financial planning</p> <p>The IJB's budget for 2018/19 is still being developed. A recent budget update sent to the IJB Committee in December 2017 indicated that the estimated funding gap for 2018/19, based on a flat cash budget compared to 2017/18, will be £11.6 million. Therefore the IJB will need to identify and deliver efficiency savings in order to produce a balanced budget.</p> <p>There is a risk that delays in agreeing the 2018/19 budget will impact negatively on the financial management of the IJB and service delivery.</p>	<p>Due diligence will be completed over the budget setting process. This will build on experience gained in prior year and the need for the IJB to meet savings requirements.</p> <p>The timing of NHS financial planning and associated partnership budget contributions is a national issue. We continue to raise this through a number of forums both locally and nationally.</p> <p>Service and budget reduction options are being presented to the board in tandem with the impact of local government and health sector financial settlements. The next budget update in 2018 and subsequent reports to the IJB will identify plans to achieve savings on a recurring basis and also quantify and consider likely future years estimated funding gaps.</p> <p>The risk register recognises the need to deliver efficiencies in the integrated functions.</p>	<p>Review the results of the due diligence review.</p> <p>Review the effectiveness of the IJB's financial plans.</p> <p>Review the progress the IJB have made towards agreeing the 2018/19 budget and the efficiency savings required.</p>
<p>4 Financial planning – longer term planning</p> <p>Both the integration scheme and the strategic plan state that the IJB should have medium term financial planning.</p> <p>The IJB does not currently have a medium to long term financial strategy or plan in place.</p> <p>There is a risk that the IJB does not have a strategic approach towards how it will finance its</p>	<p>A medium term financial strategy to support delivery of the strategic plan is being developed and will be approved soon.</p>	<p>Review the progress the IJB have made towards its medium or long term financial strategy; and confirm that the assumptions are reasonable and consistent with the IJB's strategic plan objectives.</p>

Audit Risk	Source of assurance	Planned audit work
longer term service delivery objectives.		

Reporting arrangements

4. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

5. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

6. We will provide an independent auditor's report to the IJB and Accounts Commission setting out our opinions on the annual accounts. We will provide the Accountable Officer and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2017/18 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Plan	21 February 2018	21 February 2018
Annual Audit Report	12 September 2018	12 September 2018
Independent Auditor's Report	12 September 2018	12 September 2018

Audit fee

7. The proposed audit fee for the 2017/18 audit of the IJB is £24,000 (£17,400 in 2016/17). In determining the audit fee we have taken account of the risk exposure of the IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 31 May 2018.

8. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Accountable Officer

9. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

10. The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

11. Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice (including supplementary guidance) and guided by the auditing profession's ethical guidance.

12. Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

13. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the IJB and the associated risks which could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

14. We will give an opinion on the financial statements as to:

- Whether they give a true and fair view, in accordance with applicable law and the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom, of the financial position of the IJB as at 31 March 2018 and its income and expenditure for the year there ended
- whether they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code
- whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.



characteristics



responsibilities



principal activities



risks



governance arrangements

Materiality

15. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinion in the auditor's report.

16. We calculate materiality at different levels as described below. The calculated materiality values for the IJB are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 18 based on the 2016/17 audited accounts.	£1.765 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 60% of planning materiality.	£1.059 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£0.018 million

Source: 2016/17 Clackmannanshire and Stirling Integration Joint Board Annual Accounts

17. We review and report on other information published with the financial statements including the management commentary, annual governance report and the remuneration. Any issue identified will be reported to the Audit Committee.

Timetable

18. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

Exhibit 4

Financial statements timetable

 Key stage	 Date
Agreement of transactions and balances with partner bodies	14 May 2018
Latest submission date of unaudited annual accounts with complete working papers package	31 May 2018
Consideration of unaudited financial statements by those charged with governance	13 June 2018
Latest date for final clearance meeting with Chief Finance Officer	By 23 August 2018
Issue of letter of representation and proposed independent auditor's report	By 30 August 2018
Annual Accounts authorised for issue by the IJB	12 September 2018

Issue of Annual Audit Report including ISA 260 report to those charged with governance	12 September 2018
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Independent auditor's report signed	12 September 2018
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Internal audit

19. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function.

20. Internal audit is provided by the partner bodies. Overall planning and reporting of these services, as they impact the IJB, are being provided by the Stirling Council internal audit team until the end of 2018/19.

Adequacy of Internal Audit

21. We carry out an annual assessment of internal audit to determine whether it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS). Overall, we concluded that the audit service provided by Stirling Council to the IJB generally complies with the PSIAS.

Areas of Internal Audit reliance

22. In respect of our wider dimension audit responsibilities we plan to consider the findings of internal audit work including:

- review of the progress in taking forward transformational change in the delivery of integrated services
- review of the development and implementation of the Performance Management Framework and associated Annual Report.

Audit dimensions

23. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

24. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

25. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps

Financial management

26. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

27. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision – making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision – making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

Value for money

28. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether the IJB can provide evidence that it is demonstrating value for money in the use of its resources, the achievement of its outcomes, and whether there is a clear link between money spent, and outcomes delivered.

Independence and objectivity

29. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

30. The engagement lead for Audited Body is David McConnell, Assistant Director. Auditing and ethical standards require Audit Scotland to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the IJB.

Quality control

31. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

32. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and relevant supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

33. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Adding Value

34. Through our audit work we aim to add value to the IJB. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the IJB has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

Clackmannanshire & Stirling Integration Joint Board

Annual Audit Plan 2017/18

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**Clackmannanshire
Council**



Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

21 February 2018

This report relates to
Item 5 on the agenda

Governance Update (including Governance Workplan)

*(Paper presented by Ewan C. Murray, Chief Finance
Officer)*

For Approval

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Ewan C. Murray, Chief Finance Officer
Date	15 February 2018
List of Background Papers:	
Appendices: Appendix 1 – Governance Workplan Appendix II – Reserves Strategy and Policy	

Title/Subject: Governance Update

Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee

Date: 21 February 2018

Submitted By: Ewan C. Murray, Chief Finance Officer

Action: For Approval

1. Introduction

1.1 This report provides an update on governance issues in relation to Clackmannanshire and Stirling Integration Joint Board and specifically an update on the Governance Workplan presented to the Audit Committee in September 2017.

2. Executive Summary

- 2.1. The Governance Arrangements of the Integration Joint Board are kept under review both as the Partnership arrangements evolve to ensure fitness for purpose and periodically per best practice.
- 2.2. Further updates on Governance arrangements are expected to be presented to the Integration Joint Board in March 2018 and thereafter a further review of unpinning policies and procedures will be undertaken.

3. Recommendations

The Audit Committee is asked to:

- 3.1. Note the governance updates provided within this paper and the updated Governance Workplan attached as Appendix I to this report.
- 3.2. Considers and recommends to the Integration Joint Board that the extant Reserves Policy and Strategy remains unchanged but kept under review.
- 3.3. Note that a review of governance arrangements including Financial Regulations and Scheme of Delegation will be undertaken following the updates on governance arrangements expected to be presented to the March 2018 meeting of the Integration Joint Board.

4. Background

- 4.1. A Governance Framework was developed to support the establishment of the Integration Joint Board and has been kept under review since establishment. The Governance Framework is based on national guidance, acknowledged best practice and professional advice.

- 4.2. Stirling Councils Social Care and Health Committee approved an Operational Management Transfer plan at its meeting of 26 October 2017 and the Integration Joint Board considered a paper on Integrated Structures in relation to in scope NHS services at its meeting of 13 December 2017. These developments and the further considerations of the Integration Joint Board in March 2018 will provide an appropriate point for a fuller review of governance arrangements and policies.

5. Considerations

Governance Workplan Update

- 5.1. The Audit Committee considered and approved the Governance Workplan at its meeting in September 2017. An update of the workplan is provided at Appendix I to this report.

Reserves Policy and Strategy

- 5.2. The extant reserves policy and strategy was considered by the Audit Committee in February 2017 and approved by the Integration Joint Board in March 2017. The extant reserves policy and strategy is Attached as Appendix II.
- 5.3. The Chief Finance Officer has reviewed the reserves policy and strategy. Whilst the significant financial pressures the Integration Joint Board continues to face going forward will make it extremely challenging to maintain or generate a level of general reserves the principle of some level of financial provision against unforeseen financial pressures remains a prudent one.
- 5.4. Taking this into account the Chief Finance Officer views current Reserves Policy and Strategy as remaining fit for purpose and recommends that this remains unchanged at this point in time but kept under review as the Integration Joint Boards medium term financial strategy is developed.

Financial Regulations and Scheme of Delegation

- 5.5. The Integration Joint Board will further consider governance and operational management arrangements at its meeting in March 2018. Post these considerations it will be an appropriate time to conduct a fuller review the underpinning governance arrangements including the Financial Regulations and Scheme of Delegation to ensure these are revised where appropriate and fit for purpose to support developing arrangements.
- 5.6. The above fuller review will incorporate the development of an overarching Local Code of Corporate Governance.

6. Conclusions

- 6.1. The fluid and evolving development of the partnership arrangements will require a fuller review of governance arrangements in due course. This paper forms part of that review process and provides an update on progress on key issues within the governance workplan.

7. Resource Implications

- 7.1. This report has no direct financial implications for the Integration Joint Board.

8. Impact on Integration Joint Board Priorities and Outcomes

- 8.1. Effective and efficient governance arrangements support the Integration Joint Board to make best use of scarce public resources in pursuance of its priorities and outcomes.

9. Legal & Risk Implications

- 9.1. The updates detailed within this report and its appendices form part of the governance framework of the Integration Joint Board.

10. Equality and Human Rights Impact Assessment

- 10.1. N/A.

11. Exempt reports

- 11.1. Not exempt.

Appendix I

Clackmannanshire and Stirling Integration Joint Board

Governance Workplan – Update for February 2018 Audit Committee

Action	Senior Responsible Officer	Key Supports	Target Completion Date	Update as at February 2018
<p>Development of an Overarching Local Code of Corporate Governance to demonstrate compliance with the principles set out in the Delivering Good Governance in Local Government Framework including Review of Local Governance Framework Including:</p> <ul style="list-style-type: none"> • Scheme of Delegation • Financial Regulations • Reserves Policy and Strategy 	Chief Finance Officer	Finance and Governance Leads of Constituent Authorities	February 2018	Updates provided to February 2018 Audit Committee. Further update will be presented to June 2018 Audit Committee on Scheme of Delegation and Financial Regulations linked to required review once future operational management arrangements are agreed.
Development and Approval of Support Services Agreement including committee support arrangements	Chief Officer	Chief Executives of Constituent Authorities	February 2018	Not yet complete. Will be completed post further clarification and agreement on future operational management arrangements.
Delivery of 2017/18 Board Development Programme (Approved by Integration Joint Board August 2017)	Chief Officer	Various dependent on topic of individual session.	March 2018	Development Sessions have been provided before each Integration Joint Board meeting in 2017/18. 2018/19 Programme will be developed and presented to Integration Joint Board for approval in June 2018.
Compilation of Register of Interests	Standards Officer	Integration Team	September 2017	Complete

Appendix I

<p>Clarification and Agreement by Constituent Authorities of Operational Service Models, Management Structures and Responsibilities and Reporting Lines</p>	<p>Chief Officer</p>	<p>Chief Executives and Governance Leads of Constituent Authorities</p>	<p>February 2018</p>	<p>Papers presented to Stirling Council Health and Social Care Committee in October 2017 and December 2017 Integration Joint Board. Further progress will be reported to March 2018 Integration Joint Board meeting.</p>
<p>Review and Agreement of Clinical and Care Governance Framework and underpinning arrangements</p>	<p>Chief Officer</p>	<p>Chief Social Work Officers, Medical Director, Director of Nursing</p>	<p>February 2018</p>	<p>Clinical and Care Governance Arrangements are being reviewed at both pan Forth Valley and Partnership levels. A Clackmannanshire and Stirling Partnership Group has been established with the first meeting being held in February 2018 and future meetings scheduled on a quarterly basis.</p>
<p>Review of Approach to Directions and Agreement of Developments Required to Support Strategic Plan Delivery from 2018/19 onwards</p>	<p>Chief Finance Officer</p>	<p>Finance and Governance Leads of Constituent Authorities</p>	<p>February 2018</p>	<p>Not yet complete. Will be considered linked to 2018/19 Budget Setting with fuller review thereafter linked to wider discussions in relation to governance and 2019-2022 Strategic Commissioning Plan.</p>

Appendix I

<p>Review, Development and Agreement of Approach to Assurance and Best Value Across the Partnership to Improve Governance and Accountability Arrangements</p>	<p>Chief Finance Officer</p>	<p>Chief Officer and Finance Leads</p>	<p>March 2018 (Assurance) July 2018 (Best Value – linked to Annual Performance Report)</p>	<p>Review of Best Value Arrangements and their application to Integration Joint Board is now planned on a national basis through the work of the Integration Joint Board Chief Finance Officers section and supported by CIPFA.</p>
<p>Review of Risk Management Arrangements including Reporting Requirements</p>	<p>Chief Officer</p>	<p>Chief Internal Auditor, Risk Management Leads of Constituent Authorities</p>	<p>December 2017</p>	<p>Risk Register Update to February 2018 Audit Committee.</p>

APPENDIX II – RESERVES POLICY AND STRATEGY

Clackmannanshire and Stirling Integration Joint Board Reserves Policy and Strategy

1 Introduction

- 1.1 This document outlines the Clackmannanshire & Stirling Integrated Joint Board's (IJB) strategy for developing and holding financial reserves.
- 1.2 The strategy is linked to the IJB's Strategic Plan objectives and the developing medium term financial strategy highlighting the financial risks and challenges facing the IJB and its constituent partners beyond the current financial year.
- 1.3 The strategy will be reviewed annually to ensure all financial changes and challenges facing the IJB and its constituent partners are taken into account in determining the appropriate level of reserves to hold for the future.

2 Legislative/Regulatory Framework

- 2.1 The Public Bodies (Joint Working) (Scotland) Act 2014 establishes the framework for the integration of health and social care in Scotland. The Act empowers an IJB to hold reserves subject to an agreed reserves strategy.
- 2.2 As the IJB is considered a Local Authority body under section 106 of the Local Government (Scotland) Act 1973, all relevant legislative and regulatory principles as applied to local authorities have been deemed equally applicable to the IJB.
- 2.3 In Scotland, explicit statutory powers under Schedule 3 of the Local Government (Scotland) Act 1975 permit local authorities to establish a Capital Fund, alongside a requirement to maintain a General Fund Reserve. Within the General Fund Reserve, local authorities are allowed to earmark elements for specific intended purposes.
- 2.4 Local Authority Accounting Practice (LAAP) Bulletin 99 published in July 2014 provides advice from the Chartered Institute of Public Finance and Accountancy (CIPFA) in respect of local authority reserves and balances. The principles and good practice examples contained within the LAAP bulletin have been applied in developing the proposed reserves strategy for the IJB.
- 2.5 Legislation also places a range of safeguards that help to prevent local authorities over-committing themselves financially as follows:
 - The balanced budget requirement, for Scotland this is derived from Section 93 of the Local Government Finance Act 1992;
 - The Chief Finance Officer's duty to report on robustness of estimates and adequacy of reserves when considering the annual budget requirement;

- The Chief Finance Officer’s duty to make arrangements for, in addition to having responsibility for, the proper administration of the IJB’s financial affairs; and
- In line with the Prudential Code, the Chief Finance Officer’s duty to have full regard to affordability when making recommendations about future capital programs, including giving due consideration to the level of long term revenue commitments.

3 **Reserve Policies**

- 3.1 Pressures on public finances now and over the medium term are intense with the result that the constituent partners do not currently have the capacity to provide extra resources to provide reserves. Therefore, the ability to build up and retain reserves for unforeseen events and circumstances becomes not only difficult, but something that requires careful consideration.
- 3.2 Having the right level of reserves is important. If reserves are very low, there may be little resilience to financial shocks and sustained financial challenges.
- 3.3 Reserves should not be used to fund material levels of ongoing operational costs as they are not a permanent funding solution for this type of expenditure. They may, however, be used for small-scale initiatives which do not impact on the overall reserves strategy.
- 3.4 Reserves should act as a “buffer” to absorb one-off pressures or to enable a short-term bridge to fill a gap until a sustainable funding solution is identified.
- 3.5 Contributions from reserves should only be used to set a balanced budget where reserves have been specifically earmarked for future projects as agreed by the IJB.
- 3.6 The level of reserves to be held should be based on an assessment of the likelihood and impact of financial and operational risks.
- 3.7 In addition to maintaining an adequate reserves balance to protect against risks, it may also be necessary to plan for an increase in reserves as a means of meeting Strategic Plan objectives.
- 3.8 Reserves in excess of prudent estimated levels should not be held. This will ensure unnecessary cash balances do not build up which may impact on resources available for operational activities.

4 **Types of Reserve**

Earmarked Reserves

- 4.1 Earmarked Reserves provide a means of accumulating funds for use in a later financial year to meet known or planned initiatives. Earmarked Reserves will increase through decisions of the IJB and will decrease as they are spent on their specific intended purposes.

- 4.2 The purpose of an Earmarked Reserve is to set aside amounts for initiatives that extend beyond one year or as a contingency against a specific situation occurring. Once an Earmarked Reserve has been established by the IJB it is the responsibility of the Chief Finance Officer of the IJB to ensure funds are spent in line with their purpose. The purpose of each Earmarked Reserve should be reviewed annually to ensure that it is still relevant.

General Reserves

- 4.3 General Reserves represent non-earmarked elements of IJB funds. The main purposes of General Reserves are firstly to operate as a working balance to help manage the impact of uneven cash flows, and secondly to provide a contingency to cushion the impact of emerging or unforeseen events or genuine emergencies.
- 4.4 Ideally, the build-up of a robust level of General Reserves should be established as a target within the IJB's medium term financial strategy. This will of course be dependent on the ability of the constituent partners to provide extra resources to help achieve this aim.

Capital Reserves

- 4.5 Capital reserves represent monies set aside to meet expenditure of a capital nature, as opposed to day to day expenditure on operational activities.

5 Principles of a Risk Based Approach to Reserves

- 5.1 The level of reserves required and their purpose will be agreed as part of the annual budget setting process and reflected in the Strategic Plan agreed by the IJB. Each of the constituent partners will be able to review the levels of reserves held by the IJB as part of the annual budget setting process, and in the context of both the Strategic Plan and the IJB's reserve policy.
- 5.2 In order to assess the level of reserves, the Chief Finance Officer of the IJB should take account of the financial and operational risks facing the IJB over the life of the medium term financial strategy. The estimate of these risks should include (but are not limited to):
- The reasonableness of underlying budget assumptions.
 - Inflationary pressures.
 - Realisation of income targets.
 - Trends and current spending patterns.
 - Known future legislative or other regulatory changes.
 - Ability to achieve Strategic Plan objectives.
 - Estimates of likely demand for demand-led budgets.
 - A review of any major risks associated with future years' budgets.
 - The availability of any revenue contingency budget.
 - Discussions and contributions from constituent partners.

- 5.3 The Chief Finance Officer should develop and implement proper arrangements to manage these risks, including adequate and effective systems of internal control.
- 5.4 The Chief Finance Officer's advice on the level of reserves should be set in the context of the IJB's risk register and medium term plans, and should not focus exclusively on short-term considerations. Advice should be given on the level of reserves over the lifetime of the medium term financial plan, and should also take account of the expected need for reserves in the longer term.
- 5.5 Risk management should be embedded within the IJB, with the IJB risk register being regularly updated and reviewed.
- 5.6 Part of the risk management process involves taking appropriate action to mitigate or remove risks where this is possible, which in turn may lead to a lower level of reserves being required. A balance will need to be found between maintaining adequate levels of reserves and investing in risk reduction measures.
- 5.7 Whilst it will primarily be the responsibility of the IJB and its Chief Finance Officer to maintain a sound financial position, external auditors will regularly express their views on the adequacy of the reserves of the IJB for which they carry out the audit function. However, it will not be the responsibility of external auditors to prescribe the optimum or minimum level of reserves for an individual IJB.

6 Management of Reserves

Overview

- 6.1 The required levels of Earmarked and General Reserves and their purpose will be agreed as part of the annual budget setting process and reflected in the Strategic Plan agreed by the IJB. The constituent partners will be able to review the levels of reserves held by the IJB as part of this process.
- 6.2 The level of Earmarked and General Reserves to be maintained may change from year to year depending on any changes to the financial risks facing the IJB, and/or resources needed for investment to meet Strategic Plan objectives and budgetary control.
- 6.3 Any in-year call on General Reserves will generally only be approved to meet the cost of unexpected and unforeseen expenditure, or where an opportunity has arisen which is time limited and/or meets an objective within the Strategic Plan.
- 6.4 The IJB will allocate resources it receives from the constituent partners in line with the Strategic Plan. In doing this it will be able to use its power to hold Earmarked and General Reserves, so that in some years it may plan for an underspend to build up reserves, and in others to breakeven, or to use a contribution from reserves in line with the Reserve Policy and Strategy.

Use of Reserves

- 6.5 Decisions on the use of General Reserves should take account of the financial and operational risks that could impact on the IJB's position, and should be made in a coordinated and planned way to ensure that best use is made of these resources.
- 6.6 For this reason it is important that any approval to use General Reserves complies with the IJB's Reserves Policy and Strategy and a formal procedure facilitates this process.
- 6.7 The application to use General Reserves should be submitted to the IJB for approval and should include as a minimum:
- How the application meets the requirements of the Reserves Policy and Strategy.
 - Why the use of reserves is considered to be the most appropriate form of funding.
 - Whether the use of reserves is required to meet an objective of the Strategic Plan, or is outside of this.
 - Whether the constituent partners been consulted on the proposal to use reserves.
 - A statement from the IJB's Chief Finance Officer detailing the current level of reserves and projected year end position.
- 6.8 With reference to section 8 of the Clackmannanshire and Stirling Integration Scheme, the following in-year scenarios could impact on any General Reserves held by the IJB:
- **In-Year Overspend on the Operational Integrated Budget** - Where there is a projected overspend against an element of the operational budget, the IJB may decide to increase the payment to the affected body by utilising the balance of the General Reserve of the IJB (if available) in line with the Reserve Policy and Strategy.
 - **In-Year Underspend on the Operational Integrated Budget** - Underspends on either arm of the operational integrated budget should be returned from the relevant constituent partner to the IJB and carried forward through General Reserves (with the exception of underspends that arise due to material differences between assumptions used in setting the payments to the Integration Joint Board and actual events).

Reporting Arrangements for Reserves

- 6.9 In terms of reporting on Earmarked and General Reserves, all budget reports to the IJB should include from the Chief Finance Officer of the IJB (where applicable):
- A statement reporting on the annual review of Earmarked Reserves. The statement should list the various Earmarked Reserves, the purposes for which they are held and provide advice on the appropriate levels. It should also show the estimated opening balances for the year, planned additions/withdrawals and the estimated closing balances.

- A statement showing the estimated opening General Reserve balance for the year ahead, the addition to/withdrawal from the reserve, and the estimated end of year balance.
- A statement on the adequacy of Earmarked and General Reserves in respect of the forthcoming financial year and the IJB's medium term financial strategy.

7 Level of Reserves

Earmarked Reserves

- 7.1 As mentioned previously, Earmarked reserves provide a means of accumulating funds for use in a later financial year to meet known or planned initiatives. As such, the level of any required Earmarked Reserve is likely to be known with reasonable certainty. The purpose of each Earmarked Reserve should be reviewed annually to ensure that it is still relevant.

General Reserves

- 7.2 There is generally no prescriptive basis for the level of General Reserves that should be held. The level of General Reserves will depend on the financial risks and challenges facing the IJB and its constituent partners, but ideally as a minimum, should be capable of covering all estimated financial risks including contingent liabilities.
- 7.3 However, as mentioned previously, the pressures on public finances now and over the medium term are intense with the result that the constituent partners do not currently have the capacity to provide extra resources to provide for General Reserves. Therefore, the ability to build up and retain General Reserves for unforeseen events and circumstances becomes not only difficult, but something that requires careful consideration.
- 7.4 Given the current pressures and financial constraints on public sector finances, it is recommended that the medium term financial strategy for the IJB includes as a target, the building up of a General Reserve balance when financial capacity of the constituent partners allows.
- 7.5 Setting a suitable target level of General Reserves provides its own difficulties. Many of the financial risks impacting on the IJB will be difficult to estimate, and the ability to benchmark other IJB reserve policies and strategies is currently not yet available.
- 7.6 Most Scottish local authorities have a policy to maintain General Reserves at around 2% to 4% of their net spending on services. For example, Stirling Council maintains a target level of reserves between 2% - 2.5%, and Clackmannanshire Council at a minimum of 3%.
- 7.7 If applying a similar approach to both the Clackmannanshire & Stirling Integration Joint Board based on their total available budgeted resources (£172.456), a maximum target level of General Reserves of say 0.75% would equate to £1.293m.

- 7.8 Alternatively, a maximum level of General Reserves could simply be established on the basis of a cash value, e.g. £1m.

Capital Reserves

- 7.9 It is currently not anticipated that the IJB will require to hold a Capital Reserve.
- 7.10 The IJB will identify the specific asset requirements to support the Strategic Plan. Where the Chief Officer of the IJB identifies as part of the Strategic Plan new capital investment requirements, a business case should be developed and submitted to all constituent partners to consider.
- 7.11 Options may include one or more of the constituent partners approving the project from its own capital budget or where appropriate, using the hub initiative. The existing procedures in the constituent partners should be used to consider capital bids and business cases.

8 Conclusion

- 8.1 Robust financial management and control requires the Integration Joint Board to give consideration to the holding of General Reserves to provide protection against unforeseen and/or unavoidable costs arising.
- 8.2 Given the pressures however on the finances of the constituent partners currently and over the medium term, the expectation is that General Reserves will not be available to the Integration Joint Board.
- 8.3 Although there is no requirement or expectation placed on the Integration Joint Board to build up General Reserves, it is still appropriate to at least consider a prudent “target” level of reserves that may be achievable in the future when financial capacity allows.
- 8.4 It is recommended that a maximum target level of General Reserves for the Integration Joint Board be set at a cash value of £1.25 million which is approximately 0.75% of the total partnership budget. This target will be subject to review as part of future annual budget setting processes.
- 8.5 Where appropriate, Earmarked Reserves should also be considered to plan for major expenditure or one-off significant payments.
- 8.6 It is currently not anticipated that the Integration Joint Board will require to hold a Capital Reserve.

Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

21 February 2018

This report relates to
Item 6 on the agenda

Internal Audit Charter

(Paper presented by Kevin O’Kane)

For Approval

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Kevin O’Kane, Chief Internal Auditor
Date	13 February 2018
List of Background Papers: Integration Joint Board, 24 February 2016 – Provision of Internal Audit Integration Joint Board, 27 April 2016 – Appointment of Chief Internal Auditor	
Appendices: Appendix 1 – Clackmannanshire & Stirling Integration Joint Board: Draft Internal Audit Charter	

Title/Subject: Internal Audit Charter
Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee
Date: 21 February 2018
Submitted By: Kevin O’Kane, Chief Internal Auditor
Action: For Approval

1. Introduction

- 1.1 This report attaches a draft Internal Audit Charter for consideration and approval by the Audit Committee.

2. Executive Summary

- 2.1. The draft Internal Audit Charter (the ‘Charter’) has been prepared in accordance with the revised Public Sector Internal Audit Standards (the ‘Standards’), developed and issued by the Chartered Institute of Public Finance & Accountancy and the Chartered Institute of Internal Auditors, and which are effective from April 2017.
- 2.2. The Integration Joint Board Audit Committee should periodically consider and approve a Charter, prepared by the Chief Internal Auditor, in order to meet specific obligations under the Standards. The Chief Internal Auditor considers that it is now appropriate to present a draft Charter for consideration and approval by the Audit Committee.
- 2.3. It is also proposed that the Charter should next be reviewed, updated and submitted for Audit Committee approval at the first meeting of the Committee after 31 March 2019. This would be timed to coincide with the planned rotation of the Chief Internal Auditor between the chief audit executives of Clackmannanshire Council, Stirling Council and NHS Forth Valley.

3. Recommendations

The Audit Committee is asked to:

- 3.1. consider and approve the draft Internal Audit Charter, attached at Appendix 1; and
- 3.2. agree to receive an updated Charter, for consideration and approval, at the first meeting of the Committee after 31 March 2019, and timed to coincide with the planned rotation of the Chief Internal Auditor between the chief audit executives of Clackmannanshire Council, Stirling Council and NHS Forth Valley.

4. Background

- 4.1. The basic purpose of the Public Sector Internal Audit Standards, developed and issued by the Chartered Institute of Public Finance & Accountancy and the Chartered Institute of Internal Auditors, is to set the principles for carrying out internal audit services within the UK public sector. The Standards cover areas such as independence, objectivity, quality assurance, due professional care, managing internal audit activity, planning, communicating results and monitoring progress.
- 4.2. The revised Standards require the purpose, authority and responsibility of the Integration Joint Board's Internal Audit Service to be formally defined in an Internal Audit Charter, which must be approved by 'the Board'.
- 4.3. For the purposes of the Standards, the Integration Joint Board's Internal Audit Service is that provided jointly by the Internal Audit teams within the constituent authorities, under the Chief Internal Auditor. The Audit Committee is 'the Board' for the purposes of the Standards and is the appropriate forum to consider and approve the Charter.

5. Considerations

- 5.1. The draft Charter is attached at Appendix 1 for the Audit Committee to consider and approve. As required by the Standards, the Charter:
 - sets out the position of Internal Audit within the Integration Joint Board and establishes its organisational independence;
 - establishes Internal Audit's right of access to records, assets, personnel and premises (including those of partner organisations), and authority to obtain information and explanations necessary to fulfil its responsibilities;
 - sets out how Internal Audit resource requirements will be assessed and maintained;
 - defines the scope and nature of Internal Audit assurance activities across the Integration Joint Board's governance, risk management and control environment;
 - defines Internal Audit's role in any fraud-related or consultancy work for the Integration Joint Board;
 - defines the arrangements for avoiding potential conflicts of interest;
 - defines the terms 'board' and 'senior management' as set out in the Standards, for the purposes of Internal Audit activity;
 - establishes the accountability, reporting lines and relationships between the Chief Internal Auditor and the 'board' and 'senior management' to whom the Chief Internal Auditor may report; and,
 - requires and enables the Chief Internal Auditor to deliver an annual audit report and opinion on the governance, risk management and control environment of the Integration Joint Board.

6. Conclusions

- 6.1. Consideration and approval of the Internal Audit Charter by the Audit Committee will enable the Integration Joint Board, the Internal Audit Service and the Chief Internal Auditor to comply with the requirements of the 2017 Public Sector Internal Audit Standards.

7. Resource Implications

- 7.1. This report has no direct financial implications for the Integration Joint Board.

8. Impact on Integration Joint Board Priorities and Outcomes

- 8.1. This report, which provides an Internal Audit Charter for approval, helps the Integration Joint Board and the Partnership in their delivery against National Health & Wellbeing Outcome 9: Resources are used effectively and efficiently to deliver Best Value and ensure scarce resources are used effectively and efficiently in the provision of health and social care services.

9. Legal & Risk Implications

- 9.1. The Internal Audit Charter helps to ensure that the Integration Joint Board complies with the Public Sector Internal Audit Standards developed and issued by the Chartered Institute of Public Finance & Accountancy and the Chartered Institute of Internal Auditors, and effective from April 2017. The Internal Audit Charter underpins delivery of a professional and effective Internal Audit service, which in turn helps address risk HSC002 in the Strategic Risk Register: Leadership, Decision Making and Scrutiny (including effectiveness of governance arrangements and potential for adverse audits and inspections).

10. Consultation

- 10.1. The Chief Internal Auditor provided a consultative draft of the Internal Audit Charter to the Chief Officer, Chief Finance Officer, and the chief audit executives of the constituent authorities.

11. Equality and Human Rights Impact Assessment

- 11.1. N/A.

12. Exempt reports

- 12.1. Not exempt.

CLACKMANNANSHIRE & STIRLING INTEGRATION JOINT BOARD: INTERNAL AUDIT CHARTER

INTRODUCTION

The purpose of this Charter is to define what Internal Audit is and to explain its purpose, authority and responsibilities. It has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS), most recently updated in April 2017.

This Charter acknowledges the mandatory nature of the definition of Internal Auditing and the Code of Ethics that are set out in the PSIAS, and also of the Standards themselves.

The following definitions apply for the purposes of this Charter, and for those of the PSIAS:

Term in PSIAS	Interpretation for Clackmannanshire & Stirling Integration Joint Board
'Board'	the Integration Joint Board's Audit Committee (and successor Committees)
'Senior Management'	the Integration Joint Board's Chief Officer and Chief Finance Officer
'Chief Audit Executive'	the Integration Joint Board's Chief Internal Auditor

The Charter will be subject to review by the Chief Internal Auditor and approval by the Audit Committee at least once every 3 years.

The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Chief Internal Auditors agreed that Stirling Council's Audit Manager should be nominated as Chief Internal Auditor for the initial three-year period, covering the financial years up to 31 March 2019, and this was approved by the Integration Joint Board on 27 April 2016. These arrangements are consistent with Scottish Government guidance that the Chief Internal Auditor from either of the Health Board or Local Authority fulfil this role in the Integration Joint Board in addition to their role as Chief Internal Auditor of their respective Authority.

ROLE

Internal Audit within an organisation aspires to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. It is defined, in terms of the PSIAS, as an independent, objective assurance and consulting activity designed to add value and improve the Integration Joint Board's operations. It helps the Integration Joint Board accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit supports the work of the Integration Joint Board's Audit Committee by enabling the Committee to provide appropriate scrutiny and challenge of the Integration Joint Board's risk management, control and governance arrangements. It also enables the Integration Joint Board to report publicly on the effectiveness of those arrangements in its Annual Governance Statement.

Internal Audit contributes to the continuous review and improvement of the Integration Joint Board's

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governance, risk management and controls arrangements through a planned programme of work that is reported to the Audit Committee and senior management as appropriate.

Internal Audit will have due regard, in undertaking its responsibilities, to the particular roles and responsibilities of the Integration Joint Board's Chief Officer and the Chief Finance Officer.

Internal Audit should not be seen as a substitute for internal control, which is primarily the responsibility of line management. Internal Audit activity is planned to provide assurance on the Integration Joint Board's control environment to senior management and Members, and to enable an audit opinion on the adequacy and effectiveness of internal controls to be given by the Chief Internal Auditor.

AUTHORITY

Internal Audit is established by the Integration Joint Board and is governed by the Integration Joint Board's policies, procedures, rules and regulations. Its authority extends to the Integration Joint Board's entire governance, risk management and control environment.

Internal Audit staff have authority, on production of identification, to:

- enter at all reasonable times any Integration Joint Board premises;
- have access to all records, documents and correspondence held by the Integration Board, including any data held on computer storage media, which relate to its operation, administration and financial transactions;
- require and receive such explanations that are considered necessary concerning any matter under examination; and,
- require any employee or agent of the Integration Joint Board to produce cash, stores or any other Integration Joint Board property under their control or to which they have access.

PROFESSIONALISM

Internal Audit will meet the standards laid down by the PSIAS and other relevant professional guidance. Internal Audit will also adhere to all relevant Integration Joint Board policies and procedures. The policies and standards adopted by Internal Audit are those of the Health Board and Local Authority internal audit teams that provide the service, each of which are cognisant of the standards and principles established by the PSIAS, and each of which are subject to the requirement for an external assessment to be undertaken at least every 5 years.

The objectives of the PSIAS, which apply to all internal audit service providers, are to:

- define the nature of internal auditing within the UK public sector;
- set basic principles for carrying out internal audit in the UK public sector;
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations; and,
- establish the basis for the evaluation of internal audit performance and drive improvement planning.

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The PSIAS require that there should be a quality assurance and improvement programme for Internal Audit: this must include both internal and external assessments. The chief audit executive of each of the teams that contributes to the Integration Joint Board's internal audit service will perform an annual self-assessment review of compliance with the PSIAS, and will use this to drive ongoing compliance and continuous improvement. An external assessment of each of those teams will be commissioned and delivered at least once every 5 years in accordance with the PSIAS, which requires that:

- this must be conducted by a qualified, independent assessor from outside the body that is subject to the review; and,
- the chief audit executive must discuss the form of external assessments, and the qualifications and independence of the external assessor, with the Audit Committee of the body concerned.

The Chief Internal Auditor will report to the Integration Joint Board's Audit Committee on the results of the individual external assessments.

ORGANISATION

The Chief Internal Auditor will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Chief Finance Officer.

The Chief Internal Auditor will communicate and interact directly with the Audit Committee, including between Committee meetings where appropriate.

The Chief Internal Auditor also has unrestricted access to the Chief Officer, the Chair of the Audit Committee, and the Integration Joint Board's appointed external auditor.

INDEPENDENCE AND OBJECTIVITY

Internal Audit (including the Chief Internal Auditor) will remain free from direction by any person(s) within the Integration Joint Board, including matters of audit selection, scope, procedures, frequency, timing, or report content. This is to safeguard Internal Audit's necessary independence and objectivity.

Internal Audit will have no direct operational responsibility or authority over any of the activities audited. Accordingly, it will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair Internal Audit's ability to be objective.

Internal Audit staff must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Audit must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Staff within the teams that contribute to the Internal Audit service will identify any known potential conflicts of interest to their chief audit executive on at least an annual basis. Those chief audit executives will take reasonable steps to reduce the risk of conflict of interest through the allocation and supervision of Integration Joint Board audit assignments.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational

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independence of the Internal Audit function.

RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Integration Joint Board's risk management, control and governance processes. This includes:

- evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations that could have a significant impact on the Integration Joint Board;
- considering the Integration Joint Board's arrangements for safeguarding its assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- investigating allegations of fraud or corruption, as far as is appropriate under the Financial Regulations and relevant policies and strategies, and reporting to Police Scotland where appropriate;
- evaluating the effectiveness and efficiency with which resources are employed within the Integration Joint Board;
- monitoring and evaluating governance processes;
- monitoring and evaluating the Integration Joint Board's risk management arrangements;
- evaluating activities and programmes to ascertain whether results and outcomes are consistent with established aims and objectives, and whether activities or programmes are being performed as planned;
- providing consultancy support and advice to management on development or re-design of the Integration Joint Board's systems of governance, risk management and control;
- reporting periodically on Internal Audit's purpose, authority, responsibility, and performance relative to its plan;
- liaising effectively with the Integration Joint Board's external auditor to ensure appropriate co-ordination of work so that assurance from both internal and external sources is provided cost-effectively; and,
- reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters required or requested by the Audit Committee.

It is important to note that Scottish Government guidance specifies that "The operational delivery of services within the Health Board and Local Authority on behalf of the Integration Joint Board will be covered by their respective internal audit arrangements as at present." (IRAG Finance Guidance, 2015). This will normally restrict the scope of internal audit to the functions of the Integration Joint Board itself, and exclude the operational delivery of commissioned services. However, in exceptional cases, the scope may be extended if there is appropriate agreement between relevant parties. Any arrangements for the sharing of internal audit reports concerning the operational delivery of commissioned services, where those have been prepared by Health Board or Local Authority internal

CLACKMANNANSHIRE & STIRLING INTEGRATION JOINT BOARD: INTERNAL AUDIT CHARTER

audit teams, should be formalised in a protocol between the Chief Internal Auditor and the members of the partnership.

Senior management is responsible for managing the risk of fraud and corruption. Internal Audit procedures alone cannot guarantee that all fraud or corruption will be prevented or detected. Internal Audit does not have responsibility for the prevention or detection of fraud or corruption. However, internal auditors will be alert in all their work to risks and exposures that may allow fraud or corruption to occur. Internal Audit may be requested by management to assist with fraud-related work.

The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or impropriety in order to consider the adequacy of the relevant controls, and to evaluate the implication of fraud and corruption for his opinion on the Integration Joint Board's internal control environment.

INTERNAL AUDIT PLAN

At least annually, the Chief Internal Auditor will submit an internal audit plan to senior management and the Audit Committee for review and endorsement. The plan will include a proposed programme of work and allocation of resources. Where appropriate, the Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The internal audit plan will be developed taking account of the Integration Joint Board's priorities and risks and using a risk-based methodology: it will also be subject to consultation with Integration Joint Board senior management before being submitted to the Audit Committee for endorsement. Although the Chief Internal Auditor will consult with relevant stakeholders (including the chief audit executives of the bodies in the partnership) before presenting the plan for endorsement, responsibility for the preparation and execution of the plan and subsequent Internal Audit activities rests solely with the Chief Internal Auditor.

Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic progress reports.

REPORTING AND MONITORING

A written report will be prepared and issued by the Chief Internal Auditor following the conclusion of each substantive internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

The internal audit report will normally include an action plan that incorporates recommended improvement actions (including corrective actions), and management's response to these recommendations. Management responses should include:

- the job title of the officer responsible for completion of the action;
- a date/timetable for anticipated completion of the action (or statement that it is now complete); and,
- an explanation in respect of any recommended corrective action that management does not expect to implement (for example, where management decides to accept the risk rather than act upon the recommendation).

CLACKMANNANSHIRE & STIRLING INTEGRATION JOINT BOARD: INTERNAL AUDIT CHARTER

Internal Audit will perform appropriate follow-up review and reporting of engagement findings and recommendations.

The Chief Internal Auditor will deliver an annual audit report that includes an opinion on the effectiveness of the Integration Joint Board's governance, risk management and control environment, and sets out internal audit's compliance with the Public Sector Internal Audit Standards.

The Chief Internal Auditor may also bring to the Audit Committee's attention:

- relevant national or local reports that have been published by the Accounts Commission or by an external auditor of any of the bodies in the partnership; and,
- internal audit reports relevant to the operational delivery of commissioned services where these: (i) have either been already made public by the body concerned; or (ii) are provided under a protocol between the Chief Internal Auditor and the members of the partnership.

RESOURCES & TRAINING

The Chief Internal Auditor, in conjunction with the chief audit executives of the partner bodies who contribute to the Integration Joint Board's internal audit service, is responsible for ensuring that the Internal Audit function is appropriately staffed (in terms of number, grades, qualifications and experience) to meet its responsibilities and achieve its objectives. Where appropriate, the Chief Internal Auditor will communicate the impact of resource limitations to senior management and the Audit Committee.

The chief audit executives of the partner bodies will continuously review the development and training needs of Internal Audit staff to ensure that they are properly trained to fulfil their responsibilities and to maintain professional competence in accordance with the Continuing Professional Development requirements of relevant professional bodies.

Internal Audit staff are subject to the personal development or equivalent processes of their employing body.

PERIODIC ASSESSMENT

The Chief Internal Auditor will periodically report to senior management and the Audit Committee on the Internal Audit function's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

The Chief Internal Auditor will report to the Integration Joint Board's Audit Committee and senior management on the results of the individual external quality assessments, to be undertaken at least once every 5 years.

CLACKMANNANSHIRE & STIRLING INTEGRATION JOINT BOARD: INTERNAL AUDIT CHARTER

NEXT SCHEDULED REVIEW OF THIS CHARTER

This Charter should be reviewed, updated and submitted for Audit Committee approval at the first meeting of the Audit Committee after 31 March 2019. This is timed to coincide with the planned rotation of the Chief Internal Auditor between the chief audit executives of Clackmannanshire Council, Stirling Council and NHS Forth Valley.

Thereafter, the Charter should be subject to review and approval at least every 3 years, in line with the planned periods of Chief Internal Auditor appointments.

Approved by the Audit Committee on 21 February 2018

Chief Internal Auditor

Chief Officer

Chief Finance Officer

Chair of the Audit Committee

DRAFT



**Clackmannanshire
Council**



Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

21 February 2018

This report relates to
Item 7 on the agenda

Internal Audit: Draft Annual and Strategic Plans

(Paper presented by Kevin O’Kane)

For Approval

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Kevin O’Kane, Chief Internal Auditor
Date:	13 February 2018
List of Background Papers:	
Integration Joint Board, 24 February 2016 – Provision of Internal Audit	
Integration Joint Board, 27 April 2016 – Appointment of Chief Internal Auditor	
Integration Joint Board, 19 April 2017 – Strategic Risk Register	
Audit Committee, 14 September 2017 - Internal Audit: Draft Annual and Strategic Plans	
Appendices:	
Appendix 1 – Draft Internal Audit Strategic Plan 2017-20	
Appendix 2 – Draft Internal Audit Annual Plan 2018-19	

Title/Subject: Internal Audit: Draft Annual and Strategic Plans
Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee
Date: 21 February 2018
Submitted By: Kevin O’Kane, Chief Internal Auditor
Action: For Approval

1. Introduction

- 1.1 This report presents Internal Audit’s draft Annual Plan 2018-19, attached at Appendix 2, which sets out a proposed programme of internal audit work for the forthcoming financial year. The draft Plan has been developed in consultation with the Chief Officer and the Chief Finance Officer, and the chief internal auditors of each of the constituent authorities.
- 1.2 This report also presents an updated Internal Audit Strategic Plan for the period 2017-20. This has been prepared in accordance with the wishes of the Audit Committee (February 2017 meeting), and was subject to the same consultation as above.

2. Executive Summary

- 2.1. The Chief Internal Auditor has developed a risk-based draft Internal Audit plan for 2018-19, in consultation with the Integration Joint Board’s senior officers. It has been developed as part of a 3-year strategic plan, and both are aligned with the Integration Joint Board’s Strategic Risk Register as at April 2017. The annual plan will help ensure that the Integration Joint Board complies with The Local Authority Accounts (Scotland) Regulations 2014.
- 2.2. The draft Internal Audit Strategic Plan 2017-20, attached at Appendix 1, anticipates the internal audit coverage of the Integration Joint Board’s strategic risks over the three-year period. This is subject to changing and emerging risks and priorities over the remaining period, and noting that there is a scheduled rotation of the Chief Internal Auditor appointment in 2019/20.
- 2.3. The draft Internal Audit Annual Plan 2018-19, attached at Appendix 2, provides for the delivery of three reviews that will be reported to the Audit Committee in addition to Internal Audit’s Annual Plan and Annual Report. Those reviews will consider:
 - Service Redesign: focussing on the progress of transformational change in the delivery of integrated services, including arrangements to scrutinise consistency with strategic objectives and to ensure that proposed changes, timescales and savings are achievable;

- Service User Experience and the Carers Act: focussing on arrangements to ensure that planning for the implementation of the Carers (Scotland) Act 2016 is adequate, is being properly progressed, and that steps are being taken to identify and address the concerns of service users, patients and unpaid carers; and
- Public Protection and Clinical & Care Governance: focussing on the arrangements in place to identify and address issues in relation, but not limited to, clinical and care governance, delayed discharge performance and the safety and sustainability of the 'out of hours' service.

3. Recommendations

The Audit Committee is asked to:

- 3.1. consider the updated Internal Audit Strategic Plan 2017-20, attached at Appendix 1;
- 3.2. consider the draft Internal Audit Annual Plan 2018-19, attached at Appendix 2; and,
- 3.3. to approve both the updated Internal Audit Strategic Plan 2017-20 and the draft Internal Audit Annual Plan 2018-19, either with or without amendment.

4. Background

- 4.1. The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Chief Internal Auditors agreed that Stirling Council's Audit Manager should be nominated as Chief Internal Auditor for the initial three-year period, covering the financial years up to 31 March 2019, and this was approved by the Integration Joint Board on 27 April 2016.
- 4.2. Internal Audit's work is governed by the requirements of a common set of UK Public Sector Internal Audit Standards (PSIAS), adopted and issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Institute of Internal Auditors (IIA). The Public Sector Internal Audit Standards cover a number of areas, including the development of risk-based audit plans.
- 4.3. Public Sector Internal Audit Standard 2010 (Planning) requires the Integration Joint Board's Chief Internal Auditor to establish risk-based audit plans that are consistent with the Integration Joint Board's key priorities and risks, in order to determine the priorities of the internal audit activity.

5. Audit Strategy & Resources, Strategic Plan 2017-20 and Annual Plan 2018-19

- 5.1. Internal Audit, as defined in the Public Sector Internal Audit Standards (PSIAS), is an independent, objective assurance and consulting activity designed to add value and improve the effectiveness of the Integration Joint Board's operations. It helps the Integration Joint Board accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, control and governance processes.
- 5.2. Internal Audit supports the work of the Audit Committee by enabling it to provide appropriate scrutiny and challenge of the Integration Joint Board's risk management, control and governance arrangements. It also enables the Integration Joint Board to report publicly on the effectiveness of those arrangements in its Annual Governance Statement.
- 5.3. Internal Audit contributes to the continuous review and improvement of the Integration Joint Board's governance, risk management and controls arrangements through a planned programme of work that is reported to the Audit Committee and senior management as appropriate.
- 5.4. Internal Audit will have due regard, in undertaking its responsibilities, to the particular roles and responsibilities of the Chief Officer and the Chief Finance Officer.
- 5.5. Internal Audit should not be seen as a substitute for internal control, which is primarily the responsibility of line management. Internal Audit activity is planned to provide assurance on the Integration Joint Board's control environment to senior management and Board members, and to enable an audit opinion on the adequacy and effectiveness of internal controls to be given by the Chief Internal Auditor, who is the Integration Joint Board's 'chief audit executive' in terms of the PSIAS.
- 5.6. Section 2.4 of the Finance Guidance issued by the Scottish Government in May 2015 advises that Integration Joint Boards should establish appropriate internal audit arrangements, while confirming that "the operational delivery of services within the Heath Board and Local Authority on behalf of the Integration Joint Board will be covered by their respective internal audit arrangements as at present". Internal audit plans and activity are cognisant of that boundary.
- 5.7. The Chief Internal Auditor is normally responsible for ensuring that the Internal Audit function is appropriately staffed (in terms of number, grades, qualifications and experience) to meet its responsibilities and achieve its objectives. However, it should be noted that, under current arrangements whereby Internal Audit is resourced from across each member of the Partnership, the Chief Internal Auditor only has line management responsibilities within Stirling Council. Where appropriate, the Chief Internal Auditor will communicate the impact of resource limitations to senior management and the Audit Committee.

- 5.8. The draft Internal Audit Annual Plan 2018-19, which sets out a proposed programme of internal audit work for the forthcoming financial year, is attached at Appendix 2. The planning process included discussion and consultation with the Chief Officer, Chief Financial Officer, and the chief internal auditors of the constituent authorities. The draft Plan is clearly aligned with the current Strategic Risk Register. This is to help ensure that internal audit activity takes proper account of the Integration Joint Board's key priorities and risks.
- 5.9. The Internal Audit Strategic Plan 2017-20 at Appendix 1 updates the version that was approved by the Audit Committee in September 2017. The Strategic Plan reflects the planned internal audit coverage of the Integration Joint Board's strategic risks over the three-year period, and is subject to changing and emerging risks and priorities over the period – this is reflected in the changed scheduling of reviews relating to the Financial Resilience and Leadership, Decision-Making & Scrutiny risks. The Strategic Plan is not a rolling 3-year plan at this time, as there is a scheduled rotation of the Chief Internal Auditor appointment in 2019/20.
- 5.10. Internal Audit has consulted the Integration Joint Board's external auditor (Audit Scotland) on the content of both the Strategic and Annual Plans.

6. Conclusions

- 6.1. The updated Internal Audit Strategic Plan 2017-20 at Appendix 1 anticipates the internal audit coverage of the Integration Joint Board's strategic risks over the three-year period. This is subject to changing and emerging risks and priorities over the period, and noting that there is a scheduled rotation of the Chief Internal Auditor appointment in 2019/20.
- 6.2. The risk-based draft Internal Audit Annual Plan 2018-19 at Appendix 2 proposes the following key pieces of work that will result in reports to the Audit Committee, in addition to normal service management and contingency:
- a review of Service Redesign, focussing on the progress of transformational change in the delivery of integrated services;
 - a review of Service User Experience and the Carers Act, focussing on arrangements for the implementation of the Carers (Scotland) Act 2016;
 - a review of Public Protection and Clinical & Care Governance arrangements, including delayed discharge performance and the 'out of hours' service;
 - the Internal Audit Annual Plan; and,
 - the Internal Audit Annual Report.

7. Resource Implications

7.1. There are no anticipated additional financial costs associated with the provision of an Internal Audit service from within the partners' Internal Audit teams. Each of those teams has made resources available to support the achievement of the annual Plan. The resource contributions to the overall total of 55 days in 2018-19 are as follows:

- Clackmannanshire Council 15 days
- NHS Forth Valley (FTF Internal Audit) 15 days
- Stirling Council 25 days

8. Impact on Integration Joint Board Priorities and Outcomes

8.1. An Internal Audit service is a key component of good corporate governance. The Internal Audit Strategic Plan 2017-20 and Annual Plan 2018-19 have been developed to provide independent assurance in respect of the Integration Joint Board's governance, risk management and control framework.

9. Legal & Risk Implications

9.1. The draft Internal Audit Annual Plan 2018-19 helps the Integration Joint Board to comply with The Local Authority Accounts (Scotland) Regulations 2014.

9.2. The draft Internal Audit Strategic Plan 2017-20 and Annual Plan 2018-19 have been developed so that they are aligned with the Integration Joint Board's Strategic Risk Register as at April 2017.

10. Consultation

10.1. The Chief Internal Auditor provided a consultative draft of the Internal Audit Strategic Plan 2017-20 and Annual Plan 2018-19 to the Chief Officer and Chief Finance Officer. The chief internal auditors of the constituent authorities were similarly consulted. All responses were considered in the finalisation of the draft Annual Plan. Copies of the draft Plans were also sent to the Integration Joint Board's external auditor for 2018-19 (Audit Scotland) for awareness and comment.

11. Equality and Human Rights Impact Assessment

11.1. N/A.

12. Exempt reports

12.1. Not exempt.

Clackmannanshire & Stirling Integration Joint Board: Strategic Internal Audit Plan 2017/18 to 2019/20

Risk Register Reference (Sept 17)	Risk Title (per Strategic Risk Register)	Planned reviews at 21 February 2018			
		2016/17	2017/18	2018/19	2019/20
HSC001	Financial Resilience	✓	✓ brought forward		
HSC002	Leadership, Decision Making & Scrutiny	✓	deferred	✓	
HSC003	Sustainability of Partnership				✓
HSC004	Performance Framework		✓		
HSC005	Culture / HR / Workforce Planning				
HSC006	Experience of Service Users / Patients / Unpaid Carers			✓	
HSC007	Information Management & Governance				✓
HSC008	Information Sharing Process and Practice				
HSC009	Effective Links with Other Partnerships				
HSC010	Harm to Vulnerable People, Public Protection and Clinical & Care Governance			✓	

Clackmannanshire & Stirling Integration Joint Board: Annual Internal Audit Plan 2018/19

Risk / Activity	Risk Register Reference	Focus	Audit Description	Resource (days)
Leadership, Decision Making & Scrutiny	HSC002	Service Re-design	A review of the progress in taking forward transformational change in the delivery of integrated services, including arrangements to scrutinise consistency with strategic objectives and to ensure that proposed changes, timescales and savings are achievable.	15
Experience of Service Users / Patients / Unpaid Carers	HSC006	Service User Experience, and Carers Act	A review of arrangements to ensure that planning for the implementation of the Carers (Scotland) Act 2016 is adequate and is being properly progressed. The audit will also consider what steps are being taken to identify and address the concerns of service users, patients and unpaid carers.	10
Harm to Vulnerable People, Public Protection and Clinical & Care Governance	HSC010	Public Protection and Clinical & Care Governance	A review to ensure that effective arrangements are in place to identify and address issues in relation, but not limited to: <ul style="list-style-type: none"> • clinical and care governance; • delayed discharge performance; and, • safety and sustainability of the 'out of hours' service. 	15
Planning & Reporting	n/a	Annual Plan, Annual Report and Audit Committee reporting	The Chief Internal Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the control environment of the Integration Joint Board.	5



**Clackmannanshire
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Risk / Activity	Risk Register Reference	Focus	Audit Description	Resource (days)
Contingency	n/a	Ad-hoc advice / Consultancy	Other specific work at request of the Integration Joint Board, Audit Committee or Chief Officer.	5
Audit Management	n/a	n/a	Liaison with external auditors, partners' internal auditors and other review bodies; audit management; liaison with Members and management; and, attendance at Integration Joint Board and Audit Committee and Integration Joint Board as required.	5
Total				55



**Clackmannanshire
Council**



Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

21 February 2018

This report relates to
Item 9 on the agenda

Internal Audit Progress Report

(Paper presented by Kevin O’Kane)

For Noting

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Kevin O’Kane, Chief Internal Auditor
Date	19 February 2018
List of Background Papers: Audit Committee, 14 September 2017 – Draft Internal Audit Annual Plan 2017/18 Integration Joint Board, 13 December 2017 – Financial Report	
Appendices: Appendix 1 – Internal Audit report on Performance Management and Reporting	

Title/Subject: Internal Audit Progress Report

Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee

Date: 21 February 2018

Submitted By: Kevin O’Kane, Chief Internal Auditor

Action: For Noting

1. Introduction

- 1.1 This report presents a report on Internal Audit’s progress against the Internal Audit Annual Plan 2017-18, which was approved by the Audit Committee on 14 September 2017. The Plan sets out a programme of work that included two specified reports, in addition to an Annual Internal Audit Report.
- 1.2 As at 21 February 2018, a report on Performance Management and Reporting has been issued, and is attached at Appendix 1. The report provides a substantial assurance opinion in respect of the performance management and reporting arrangements, and does not identify any critical or high risk findings. The report makes a number of recommendations to strengthen arrangements: these have been accepted by the Chief Officer and the Chief Finance Officer.
- 1.3 The report on Performance Management and Reporting report was part of the programme of Internal Audit work set out in the approved Internal Audit Annual Plan 2017-18. The planned review of Service Redesign has been replaced in the annual plan by a review of the relationship and processes between the Social Care System and forecasting in Clackmannanshire.

2. Executive Summary

- 2.1. The risk-based Internal Audit Annual Plan 2017-18 was approved by the Audit Committee on 14 September 2017. The Plan was developed so that it was aligned with the Integration Joint Board’s Strategic Risk Register as at April 2017, and helps to ensure that the Integration Joint Board complies with The Local Authority Accounts (Scotland) Regulations 2014. It provided for the delivery of two reviews in addition to Internal Audit’s Annual Plan and Annual Report. Those reviews were:
 - Service Redesign, focussing on the progress of transformational change in the delivery of integrated services, including arrangements to scrutinise consistency with strategic objectives and to ensure that proposed changes, timescales and savings are achievable; and
 - the development and implementation of the performance management framework and associated annual report, including consideration of whether the performance management framework meets the requirements of the Health and Social Care Partnership Strategic Plan.

- 2.2. The report on Performance Management and Reporting, is attached at Appendix 1. The report provides a substantial assurance opinion in respect of those arrangements, and does not identify any critical or high risk findings. It identifies 6 medium risk and 1 low risk findings, and makes recommendations to help strengthen the current arrangements: these have been accepted by the Chief Officer and the Chief Finance Officer.
- 2.3. The Integration Joint Board meeting on 13 December 2017 approved utilising capacity from the IJBs 2017/18 Internal Audit Plan to conduct an urgent review of the relationship and processes between the Social Care System and forecasting in Clackmannanshire. This review has been commenced and will be reported to the next available Audit Committee meeting (27 June 2018). Consequently, the planned review of Service Redesign has been deferred to 2018/19.
- 2.4. An updated Internal Audit Strategic Plan 2017-20 and a draft Internal Audit Annual Plan for 2018/19 are being submitted for Audit Committee approval as a separate agenda item at this meeting.

3. Recommendations

The Audit Committee is asked to:

- 3.1. consider the findings, risks, recommendations, agreed actions and statement of assurance set out in the Internal Audit report at Appendix 1 (see section 5 of this report); and
- 3.2. note the progress made with the planned programme of work set out in the approved Internal Audit Annual Plan 2017-18, including the deferral of the review of Service Redesign to 2018/19.

4. Background

- 4.1. The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Chief Internal Auditors agreed that Stirling Council's Audit Manager should be nominated as Chief Internal Auditor to the Integration Joint Board for the initial three-year period, covering the financial years up to 31 March 2019, and this was approved by the Integration Joint Board on 27 April 2016.
- 4.2. Internal Audit's work is governed by the requirements of a common set of UK Public Sector Internal Audit Standards (PSIAS), adopted and issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Institute of Internal Auditors (IIA). The Public Sector Internal Audit Standards cover a number of areas, including the development of risk-based audit plans.

- 4.3. Public Sector Internal Audit Standard 2010 (Planning) requires the Integration Joint Board's Chief Internal Auditor to establish risk-based audit plans that are consistent with the Integration Joint Board's key priorities and risks, in order to determine the priorities of the internal audit activity.
- 4.4. The Chief Internal Auditor presented a draft Internal Audit Annual Plan 2017-18 to the Audit Committee on 14 September 2017 for consideration and approval. The Plan proposed the delivery of two reports, concerning Service Redesign arrangements and performance management and reporting, in addition to an annual report and the preparation of the following year's annual plan.

5. Internal Audit Report: Performance Management and Reporting

- 5.1. The risk-based Internal Audit Annual Plan 2017/18 included a review of Performance Management and Reporting, including consideration of whether the performance management framework meets the requirements of the Health and Social Care Partnership Strategic Plan. That review has now been completed, and a report is attached at Appendix 1.
- 5.2. Generally, from the findings of the review, Internal Audit can provide substantial assurance that the IJB's arrangements in respect of performance management and reporting are appropriate and are operating effectively. A definition of this assurance category is set out at Appendix 1 to the report itself. The report does not identify any critical or high risk findings, but makes recommendations to help strengthen the current arrangements in relation to 6 medium risk findings identified during the review.
- 5.3. The Chief Officer and the Chief Finance Officer have accepted all of those recommendations without significant amendment, and will work closely with the partners to address the recommendations that have been made.

6. Review of the relationship and processes between the Social Care System and forecasting in Clackmannanshire

- 6.1 The planned review of Service Redesign has been deferred and is being replaced by a review of the relationship and processes between the Social Care System and forecasting in Clackmannanshire. This was approved by the Integration Joint Board on 13 December 2017.
- 6.2 The Board meeting in December heard that the mid-year review of significant cost pressure areas across the Partnership budget had highlighted particular challenges with the relationship between the Social Care System in Clackmannanshire with the financial system and forecasting. Significant work had been undertaken in cleansing the data in the Social Care system with around 5,000 individual case records having been reviewed. It was suggested

that an independent review of processes and methodology for forecasting would help in fully understanding the linkage.

- 6.3 Integration Joint Board officers discussed the option of Internal Audit Services within the Partnership completing this review within a short timescale with the Depute Chief Executive and Chief Internal Auditor for Clackmannanshire Council, the Chief Internal Auditor for the Integration Joint Board and the Chair of the Integration Joint Board Audit Committee. There was general consensus that it would be beneficial that this review is undertaken as soon as possible. These discussions also concluded that there was no scope for this work to be completed within a short timescale from the capacity within Clackmannanshire Council's internal audit plan and resource.
- 6.4 This review would not normally fall under the scope of the Integration Joint Board's Internal Audit plan: however, given the potential significance of the review to the Integration Joint Board and the consensus around completing it in short order, the Chief Internal Auditor was in agreement to the proposal, as an exception to normal practice, to utilise the capacity within the Internal Audit Plan previously agreed for the Service Redesign review to perform this alternative review as a matter of urgency. It was anticipated that the review would be reported to the Integration Joint Board's Audit Committee in February 2018: however, as an initial meeting to commence this review was not held until January, the report will be presented to the next available meeting of the Committee (currently 27 June 2018). The review is now in progress.
- 6.5 It was also noted, at the December Board meeting, that the re-scheduling and wider impact of delaying the Service Redesign review on the Strategic Audit Plan would be considered at this meeting of the Committee. The Service Redesign review is now part of the draft Annual Internal Audit Plan 2018/19, which is also on the Agenda for this meeting.

7. Conclusions

- 7.1. An Internal Audit of Performance Management and Reporting has been completed and a report on this is attached at Appendix 1. The report concludes that Internal Audit can provide **substantial assurance** that the Integration Joint Board's arrangements in respect of performance management and reporting are appropriate and are operating effectively. The report did not identify any critical or high risk items, and contains an agreed Action Plan (Appendix 3 of the report itself) to strengthen current arrangements.
- 8.2 The Chief Internal Auditor is confident that the remaining internal audit review for 2017/18 will be completed in good time to inform his annual report, which includes an opinion on the effectiveness of the Integration Joint Board's governance, risk management and control environment. The remaining review concerns the relationship and processes between the Social Care System and forecasting in Clackmannanshire, replacing the Service Redesign review, as approved by the Integration Joint Board on 13 December 2017.

8. Resource Implications

- 8.1. This report has no direct financial implications for the Integration Joint Board. However, the implementation of actions agreed in response to the internal audit report at Appendix 1 will require resource input from Integration Joint Board officers and support services within the Partnership.

9. Impact on Integration Joint Board Priorities and Outcomes

- 9.1. This report, and the provision of an Internal Audit service in general, helps the Integration Joint Board and the Partnership in their delivery against National Health & Wellbeing Outcome 9: Resources are used effectively and efficiently to deliver Best Value and ensure scarce resources are used effectively and efficiently in the provision of health and social care services.

10. Legal & Risk Implications

- 10.1. The Internal Audit Strategic and Annual Plans help to ensure that the Integration Joint Board complies with the Local Authority Accounts (Scotland) Regulations 2014. They were developed so that they are aligned with the Integration Joint Board's Strategic Risk Register. The delivery of an Internal Audit service in itself helps address risk HSC002 in the Strategic Risk Register: Leadership, Decision Making and Scrutiny (including effectiveness of governance arrangements and potential for adverse audits and inspections).

11. Consultation

- 11.1. The Internal Audit Annual Plan 2017-18 was subject to consultation with the Chief Officer, Chief Finance Officer, the chief internal auditors of the constituent authorities and the Integration Joint Board's external auditor (Audit Scotland).
- 11.2. The Chief Internal Auditor provided a consultative draft of the Performance Management and Reporting report (Appendix 1) to the Chief Officer, Chief Finance Officer and the Programme Manager.

12. Equality and Human Rights Impact Assessment

- 12.1. N/A.

13. Exempt reports

- 13.1. Not exempt.



**Clackmannanshire
Council**



Internal Audit Review

**Clackmannanshire & Stirling
Integration Joint Board**

**Performance Management
and Reporting**

Auditor(s) **Shona Slayford**

Issue date **19 February 2018**

Issued to:

Shiona Strachan Chief Officer
Ewan Murray Chief Finance Officer
Lesley Fulford Programme Manager

Copied to

External Audit
Audit Committee

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This report has been prepared solely for Clackmannanshire & Stirling Integration Joint Board. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent.

Internal audit work is performed in accordance with Public Sector Internal Audit Standards (PSIAS).

1. Executive Summary and Audit Opinion

Audit Opinion	Risks & Recommendations					
		<u>Critical</u>	<u>High</u>	<u>Medium</u>	<u>Low</u>	<u>Advisory</u>
Substantial Assurance	Risks identified	0	0	7	1	0
	Recommendations	0	0	6	1	0

The table above sets out the number and classification of risks identified in the course of our audit, as well as the number and importance of agreed improvement actions arising from those risks. It should be noted that there may be more than one agreed action in respect of any given risk and, where that is the case, the additional action(s) may not necessarily be of the same significance as the underlying risk itself.

Background

- 1.01 The Integration Joint Board is required, under [The Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#), to publish an annual report setting out an assessment of performance during the relevant reporting year in planning and performing the integration functions for the area. Further provision on the report's content has been made through [Regulations](#), including how the Integration Joint Board is achieving, or contributing to the achievement of, the National Health and Wellbeing Outcomes.
- 1.02 The Scottish Government published [Guidance for Health and Social Care Integration Partnership Performance Reports](#) in March 2016. This sets out the minimum expectations on the content of annual performance reports, with particular reference to the reporting of the Core Integration Indicators to support assessment of performance in relation to the National Health and Wellbeing Outcomes. Guidance is also set out in the Scottish Government's Integrated Resource Advisory Group (IRAG) [Finance Guidance](#), which states that the Annual Performance Report should include provisions on financial performance and best value.
- 1.03 This report addresses elements of the following high-level priorities and risks:

Key Priorities	The nature of this review is such that it covers all priorities and outcomes.
Integration Joint Board Risk Register	This relates to the responsibility of the HSCP to provide an overview of performance in planning and carrying out the integration functions in an open and accountable way. The potential effect is failure to:
HSC004 Performance Framework	<ul style="list-style-type: none"> implement the Performance Management Framework and Annual Report; inability to implement the Strategic Plan; unable to achieve the legislative requirements in terms of monitoring against the National Outcomes and Core Indicator set; lack of confidence around effectiveness of partnership.

Assurance Opinion

- 1.05 We can provide **substantial assurance**, based on our testing, that arrangements in respect of performance management and reporting are appropriate and are operating effectively. A definition of this assurance category is set out at Appendix 1 to this report.
- 1.06 Integration Authorities are relatively new, developing bodies and their performance management arrangements are still being established for the majority. Performance reports presented to the Clackmannanshire & Stirling Integration Joint Board and supporting groups overtly state that the performance management framework continues to develop. We acknowledge the evolving nature of performance reporting within the Integration Joint Board, and commend the progress made to date.
- 1.07 A Performance Report has been provided to each meeting of the Integration Joint Board (with the exception of Special Meetings) since November 2016. The format and content of the report has evolved over this period.
- 1.08 Performance management and reporting arrangements have been developed through the Performance Management Workstream and were endorsed through Clackmannanshire & Stirling Integration Joint Board's approval of the Performance Management Framework on 30 March 2016. These arrangements have ensured that the [Annual Performance Report 2016-2017](#) was broadly in line with Public Bodies (Joint Working) (Scotland) Act 2014. The Report includes a section on Best Value and a section on the Financial Plan detailing total expenditure in year.

Summary of findings

- 1.09 We did not identify any critical or high risk findings during our review: however, we have identified 8 medium risks, one low risk and made recommendations to help strengthen the arrangements for performance management and reporting.
- 1.10 The following table summarises our findings in respect of the specific objectives of our review (see Scope & Objectives in section 2 of this report).

	Objective	Findings
1.	Performance management reporting arrangements and outputs comply with all relevant guidance.	<p>The Integration Joint Board approved the Performance Management Framework on 30 March 2016, acknowledging that further development would be required over time as processes become established.</p> <p>The Annual Performance Report 2016-17 is broadly in line with Public Bodies (Joint Working) (Scotland) Act 2014.</p> <p>The Annual Performance Report was presented to the Integration Joint Board meeting on 27 June 2017 in line with the statutory requirement for the Partnership to deliver and publish the Report before 31 July 2017.</p> <p>Performance reporting to the Integration Joint Board is broadly in line with Scottish Government guidance and the Integration Scheme, albeit that performance reports do not include data by Locality.</p>

	Objective	Findings
2.	Performance measures support planned outcomes and are clearly defined.	<p>The approved Strategic Plan sets out the Partnership's vision and expected Local Outcomes, mapping those to the National Health and Wellbeing Outcomes and National Core Indicators.</p> <p>Performance reports to the Integration Joint Board acknowledge that there are challenges in ensuring that data from different sources is consistent to ensure meaningful performance management.</p> <p>The HSCP Joint Management Team (JMT) reports to the Leadership Group and is currently considering key operational performance measures to inform the future development of performance reporting.</p> <p>We commend the inclusion of a Strategic Risk Register exception report within the Performance Reports. There is further scope for performance reports to link performance data for each outcome or indicator to the Strategic Risk Register where appropriate, and highlight any risks to achievement.</p>
3.	There are clearly defined, adequate scrutiny, accountability, reporting and escalation lines from operational to strategic level which the Integration Joint Board has to take into account when preparing, implementing and monitoring the strategic plan.	<p>As per their Terms of Reference, the Joint Management Team (JMT) provides an operational interface and decision-making point for functions in scope for the Integration Joint Board. The JMT support the strategic planning and implementation of the change programmes and formal Directions for the three management teams.</p> <p>Operational performance arrangements are under development and key stakeholders met on 21 December 2017 to identify data and challenges, and to develop a reporting format appropriate for the Partnership, culminating in a report to the JMT on 25 January 2018.</p>
4.	Where performance information indicates that targets are not being achieved, assurance is being provided that effective remedial action is taken.	<p>Management has advised that remedial actions for performance indicators are addressed through the line management structures as part of 'business as usual'. Additionally, operational performance groups are set up as required to address performance issues in particular areas e.g. the Delayed Discharge Steering Group, Unscheduled Care Group.</p> <p>We noted some instances where assurance on remedial action was reported to the Integration Joint Board but concluded that there was some variation in the level of assurances provided for targets where performance was not as expected.</p> <p>The partnership has not set itself targets below which remedial action would be required and where the National Indicators show a RAG performance level of Amber, progress on remedial actions is not detailed.</p>

- 1.11 We have made recommendations in respect of each of our findings to the Chief Officer and the Chief Finance Officer: the recommendations have been accepted without significant amendment.

Good practice

- 1.12 The performance management landscape in which the Integration Joint Board operates is complex and we commend the work that has been done to develop a 'Strategy Map' to ensure there is a direct link back from performance to the outcomes of the Strategic Plan.
- 1.13 The standard Performance Report format is aligned to the Strategy Map, and each report now features exception reports on Delayed Discharges.
- 1.14 The Performance Reports include a comprehensive introduction that sets out clearly the purpose of the report and highlights key issues.

Management response

- 1.15 The Chief Officer accepts the findings of this report, and will work closely with the partners to address the recommendations.

2. Background, Scope and Objectives

- 2.01 The Integration Joint Board has a responsibility to ensure effective monitoring and reporting on the delivery of integrated services and the achievement of relevant targets and measures, in terms of the Strategic Plan and the National Health & Wellbeing Outcomes and Core National Indicators developed by the Scottish Government.
- 2.02 Clackmannanshire & Stirling Integration Joint Board approved a Performance Management Framework on 30 March 2016, acknowledging that further development would be required over time as Integration Joint Board processes become established. A further update to the Integration Joint Board on 21 September 2016 included a 'Strategy Map' that detailed the Partnership's Vision and expected Local Outcomes, mapping those against the National Outcomes and National Indicators.
- 2.03 The Annual Performance Report 2016/17 was approved at the 27 June 2017 Integration Joint Board meeting, in line with the statutory requirement for the Partnership to publish an Annual Performance Report by 31 July 2017.
- 2.04 Our review evaluated and reports on controls established to manage the risks relating to performance management and reporting. We reviewed the Performance Management Framework in place for 2017/18 and the Annual Report 2016/17.
- 2.05 Internal Audit reviews also consider the four dimensions of wider public audit, as identified in Audit Scotland's Code of Audit Practice (2016), as and where appropriate. While that Code is for external auditors, our approach will help the Integration Joint Board demonstrate and further develop its arrangements for achieving best value. The table below shows the 'dimensions' that are relevant to this review.

Financial Sustainability		Governance & Transparency	✓
Financial Management	✓	Value for Money	✓

- 2.06 The specific objectives of the review were to consider whether appropriate arrangements are in place and operating effectively to ensure that:
- performance management reporting arrangements and outputs comply with all relevant guidance;
 - performance measures support planned outcomes and are clearly defined;
 - there are clearly defined, adequate scrutiny, accountability, reporting and escalation lines from operational to strategic level which the Integration Joint Board has to take into account when preparing, implementing and monitoring the strategic plan;
 - where performance information indicates that targets are not being achieved, assurance is being provided that effective remedial action is taken.

3. Risks & Recommendations—Detailed findings

Risk – Performance management reporting arrangements and outputs may not comply with all relevant guidance.

- 3.01 While the HSCP Annual Performance Report 2016-2017 is broadly in line with Public Bodies (Joint Working) (Scotland) Act 2014 and associated Regulations, we identified two areas to further enhance future Annual Reports:
- Regulation 3 a) i) requires that a “*description of the extent to which the arrangements set out in the strategic plan and the expenditure allocated in the financial statement have achieved, or contributed to achieving, the national health and wellbeing outcomes*”. The Report does not overtly provide a description of this, albeit it details expenditure for the year ended 31 March 2017.
 - Regulation 6 (2) requires that “*a performance report must set out, for each locality identified in the strategic plan, the proportion of the total amount paid to, or set aside for use by, the integration authority spent during the reporting year in relation to the locality.*” Arrangements for operational performance management are in development and the Report states that “The 2016/17 financial information is not split into localities, as this level of financial reporting will be developed during 2017/18. This will be based on locality planning arrangements”.
- 3.02 We reviewed performance reporting to the Integration Joint Board from February 2017 to December 2017 and confirmed that this was broadly in line with Scottish Government guidance and the Integration Scheme. The Integration Joint Board has agreed that performance reporting will be on an exception basis with a focus on the 23 national core indicators described in the Strategy Map, as well as Delayed Discharges. However, the Regulations require that a performance report must include an assessment of performance in planning and carrying out functions in localities, a description of the arrangements made for the consultation and involvement of groups in decisions about localities and an assessment of how these arrangements have contributed to provision of services in pursuance of integration functions in accordance with the integration delivery principles in each locality.
- 3.03 Therefore performance reports are required to include performance data for Localities. Whilst Locality information is not currently included in performance reports to the Integration Joint Board, a Whole Systems Working event was held in November 2016 to discuss gather multi partner feedback to inform the next steps in Locality Plans, inform the next steps in Locality Development and agree local priorities. We recommend that, when performance data for localities is available, this is included in both the Annual Performance Report and the regular Performance Reports to each meeting of the Integration Joint Board.
- 3.04 All performance reports clearly state that, in order to ensure a sound basis for decision making and prioritisation, performance information should be read alongside financial reports to give a rounded view of the overall performance, best value and financial sustainability of the Partnership.
- 3.05 The August and October 2017 Performance Reports featured an exception report highlighting red risks from the Strategic Risk Register, where progress on mitigating actions was below 50%. This was not included in the December 2017 report, which focussed on performance against National Health and Wellbeing Outcomes (we note that the presentation of the Strategic Risk Register is currently under review with Internal Audit input). The Integration Joint Board is a relatively new organisation and

the inclusion of the Strategic Risk Register exception report within Performance Reports is a positive method of highlighting risks to achievement of targets.

- 3.06 The Performance Report presented to the Integration Joint Board on 13 December 2017 acknowledged that arrangements for supporting performance management continue to evolve as the Partnership becomes more established. While we consider that there would be scope, given the size of the Integration Joint Board agendas, to consider the establishment of a Standing Committee to consider performance management issues and closely scrutinise performance reports, we understand that the Board is minded to retain this responsibility and we acknowledge that scrutiny is a primary function of the Board.

Finding rating	Medium risk
Risk(s) identified	We identified two areas to further enhance future Annual Performance Reports to ensure compliance with legislation.
Recommendation	<p>1. Future Annual Performance Reports should include:</p> <ul style="list-style-type: none"> • a description of the extent to which the arrangements set out in the Strategic Plan and the expenditure allocated in the financial statements have achieved, or contributed to achieving, the national health and wellbeing outcomes. (Management should also consider the benefits of reflecting this within the Strategy Map); and, • the proportion of the total amount paid to, or set aside for use by, the integration authority spent during the reporting year in relation to each identified locality (this should also be subject to regular, ongoing monitoring between successive annual Reports).

Finding rating	Low risk
Risk(s) identified	The absence of clear links, within Performance Reports, between performance data for each outcome or indicator and related strategic risks increases the risk that appropriate actions are not identified and taken to ensure that those outcomes and indicators are achieved.
Recommendation	2. As a future development, consideration should be given to how performance data can provide assurance against the IJB's strategic risks and ensure appropriate links are made between performance reports and the strategic risk register.

Risk - Performance measures support planned outcomes and are clearly defined

- 3.07 Following the Ministerial Strategic Group for Health and Community Care (MSG) invitation to Partnerships to set out local objectives for six indicators, the Performance Report presented to the Integration Joint Board on 19 April 2017 was formatted around the Local Outcomes in the Strategic Plan, and Local Partnership Indicators “aligned to national indicators as appropriate”. The report included the following national priority indicators:
1. Unplanned admissions;
 2. Occupied bed days for unscheduled care;
 3. A&E Performance;
 4. Delayed discharges; and,
 5. End of Life Care.
- 3.08 However, the Performance Report does not include information on the sixth national priority indicator, ‘Balance of spend across institutional and community services’, as invited by the MSG nor does it explain this omission. Management has informed us that relevant information was not available for inclusion.
- 3.09 The [Guidance for Health and Social Care Integration Partnership Performance Reports](#) states that “Performance reports will be of interest to the Health Board and Local Authorities in monitoring the success of the arrangements that they have put in place for integrated health and social care, and in particular determining whether a review of their integration scheme is required.” The Annual Performance Report was presented to NHS Forth Valley Board on 26 September 2017 and Integration Joint Board minutes are also regularly presented to the NHS Board. Stirling Council’s Social Care & Health Committee received the Report in August 2017 and also receives regular Partnership updates and Clackmannanshire Council received the Report at the full Council meeting in November 2017.

Finding rating	Medium risk
Risk(s) identified	The omission of performance information in respect of any of the Local Outcomes (or, indeed, any key objectives) from Performance Reports without explanation increases the risk that performance is not subject to adequate scrutiny and that performance issues are not identified and addressed.
Recommendation	3. Future reiterations of the Integration Joint Board Performance Report should cover performance information in respect of all Local Outcomes and national priority indicators. Where reporting is on an exceptions basis, the report should also be transparent about any agreed Outcomes or indicators where performance information is not available and why, in order that this is clear to those scrutinising the information.

Risk - Performance measures may not support planned outcomes, be clearly defined and the range of data used to measure performance may not be robust and of appropriate quality

- 3.10 The Strategic Plan was approved by the Integration Joint Board on 24 February 2016 and we commend the production of the Strategy Map presented at the 21 September 2016 meeting, which details the Partnerships vision and expected Local Outcomes, and maps these to the National Health and Wellbeing Outcomes and National Core Indicators. The Scottish Government has published [Health and Social Care Integration, Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#), which sets out the core suite of indicators, summarising the rationale for inclusion and information on the proposed definition and data source for each indicator. As reported to the December Integration Joint Board, work is ongoing to refine local indicators, linked to national and local outcomes.
- 3.11 The Pentana performance reporting system (previously known as Covalent) is used for Integration Joint Board reporting and is also the system used by the partners. Pentana hosts local and national data items including the most up to date position for Scotland where available and appropriate. Integration Joint Board performance reports are created from data provided by the partner organisations.
- 3.12 The Performance Management Work Stream was set up to develop a Performance Framework for both Forth Valley health and social care partnerships, and to consider minimum data requirements to support both Integration Schemes. Performance reports are prepared in partnership, supported by the Performance Work Stream.
- 3.13 The National Outcomes data is provided by NHS National Services Scotland and shared across the Partnership. Data quality assurance is still being developed, as there are challenges in ensuring the information from different sources is consistent.
- 3.14 We also note that there is normally a lag of at least one full month, and sometimes two, between the date that the data in the Integration Joint Board Performance Reports is correct to and the date of the meeting at which it is considered. This is not particularly unusual given agenda management requirements: however, it increases the risks associated with information not being current.

Finding rating	Medium risk
Risk(s) identified	<p>The absence of a formalised data quality assurance process increases the risk that there is inaccuracies in the information contained in performance reports.</p> <p>The time lag between when performance data is current and when it is reported to the Integration Joint Board increases the risk that it does not accurately inform any performance-based decisions to be taken at that meeting.</p>
Recommendation	<p>4. The review of operational performance reporting arrangements should consider:</p> <ul style="list-style-type: none"> • development, with the constituent authorities, of a formal data quality assurance process to ensure the consistency and comparability of reported performance data. This process could apply a risk-based approach, focusing on areas of data where there is greater risk; and, • the feasibility of making performance data and analysis more current in order to better inform scrutiny and decision-making by the Integration Joint Board. Where such information is of appropriate significance and has been identified after the finalisation of the Performance Report, it should of course continue to be brought to the attention of the Integration Joint Board meeting verbally.

Risk - There may not be clearly defined, adequate scrutiny, accountability, reporting and escalation lines from operational to strategic level which the Integration Joint Board has to take into account when preparing, implementing and monitoring the strategic plan

- 3.15 A key aspect of the Strategic Planning Group's remit is to collaborate in the preparation of the Strategic Plan. The Group received a presentation on performance in March 2017 and endorsed the Annual Performance Report, already approved by the Integration Joint Board, in September 2017.
- 3.16 The Joint Management Team reports to the Leadership Group and works with the Strategic Planning Group to implement the directions of the Integration Joint Board in order to meet the national and local outcomes, and to achieve the key local strategic priorities as set out in the Strategic Plan. Through active membership of and engagement with the Strategic Planning Group, the Joint Management Team also supports the development and delivery of the locality plans. The work of the Strategic Planning Group is supported by a dedicated working group.
- 3.17 While an agreed Performance Framework is in place and is supported by regular Performance Reports to the Integration Joint Board, 'in scope' operational services come under the direct leadership of the Partnership and there is an identified need to establish Partnership reporting to monitor efficiency and effectiveness of those services. Currently, there are a number of service or organisation wide performance reporting formats in use within the partners. The Joint Management Team agreed the development of high level key operational performance indicators and analysis on 16 November 2017, with a view to receiving regular performance reports on integrated services. A working group of key stakeholders met on 21 December 2017 to identify data and challenges, and to further develop a reporting format.
- 3.18 The Performance Reporting Update to the Joint Management Team on 25 January 2018 recommended that it:
- acknowledge the logistical issues around consistent data recording across three different organisations, which impacts on the development of meaningful performance indicators to inform and provide sufficient challenge around improvement and system change;
 - ensure that processes are in place in each of their services to underpin the consistent data gathering and systematic performance monitoring at operational level; and,
 - provide support for the completion of a performance reporting template to map out where reporting currently takes place across the delegated functions.

The Joint Management Team noted the report and agreed to provide feedback, in order for the performance report to be developed for the meeting in February 2018.

Finding rating	Medium risk
Risk(s) identified	The absence and challenges around consistent data recording and reporting across the three partner bodies increases the risk that the Integration Joint Board is unable to apply effective scrutiny to operational performance across the Partnership, and to identify and address performance issues within the services that it commissions.
Recommendation	5. The Performance Reporting review being led by the Joint Management Team should include consideration of the level and detail of information the Integration Joint Board requires to receive on operational performance as well as the circumstances in which operational performance issues should be escalated to the Integration Joint Board and/or the partners.

Risk - Effective remedial action may not be taken where performance information indicates that targets are not being achieved

- 3.19 Management has advised that remedial actions for performance indicators are addressed through the line management structures as part of 'business as usual'. Operational Performance Groups may also be established as required to address performance issues in particular areas – examples include the Delayed Discharge Steering Group and the Unscheduled Care Group.
- 3.20 We noted some instances where assurance on remedial action was reported to the Integration Joint Board: for example, the Performance Report to the Integration Joint Board meeting in October 2017 focused on Partnership indicators linked to the Strategic Plan outcomes, and identified detailed remedial actions and plans in respect of specified Local Outcomes – as an example, the Delayed Discharge Improvement Plan is managed as a standing item by the JMT with progress reported to the Integration Joint Board on a six-monthly basis.
- 3.21 The Performance Report to the Integration Joint Board meeting in December 2017 stated that, for high level national indicators:
- "at times, it is difficult to draw firm conclusions. The data sources can date over long periods of time and hence are not as timeous as data collected more routinely. However monitoring these is a legislative role for the Integration Joint Board and it has been agreed that these indicators will be presented twice a year. The indicators have been developed from national data sources so that the measurement approach is consistent across all areas".*
- We noted that the report provided no detail on corrective actions for the National Outcome 'Carers are supported' despite the related National Indicator '% of carers who feel supported to continuing their caring role' being reported as having a 'red' status.
- 3.22 We therefore concluded that there has been some variation in the level of assurances provided about whether effective remedial action is being taken for targets where performance has not been as expected.
- 3.23 We note that the Integration Joint Board has not set targets below which remedial action would be required and that, where the National Indicators show a RAG performance level of Amber, progress on remedial actions is not detailed.

Finding rating	Medium risk
Risk(s) identified	The variation in the level of assurances provided in respect of remedial actions for areas where performance was not as expected increases the risk that the Integration Joint Board is not adequately informed, through the Performance Report, as to whether appropriate action is in place to address those issues.
Recommendation	<p>6. Consideration should be given to inclusion of a standard suite of information, within the regular Performance Report, about areas of performance where action is required. This could include:</p> <ul style="list-style-type: none"> • what has been achieved to date; • what further action is planned; • how progress on these actions is being monitored; • context and improvement activity; • definition and data source; and, • other relevant information.

Finding rating	Medium risk
Risk(s) identified	The partnership has not set itself targets below which remedial action would be required and where the National Indicators show a RAG performance level of Amber, progress on remedial actions is not detailed.
Recommendation	<p>7. Performance reporting should be enhanced to ensure that where indicators do not show satisfactory performance or are considered to be high risk, performance objectives are identified to focus action on these areas: those objectives and actions should be recorded in the Performance Report in order to facilitate informed scrutiny.</p>

Appendix 1 – Classifications

Overall level of assurance

Level of Assurance	Definition
Comprehensive assurance	Sound systems for risk, control, and governance are in place and should be effective in mitigating risks to the achievement of business and control objectives. Some improvements to existing controls in a few, relatively minor, areas may be required.
Substantial assurance	The systems for risk, control, and governance are largely satisfactory, but there is some scope for improvement as the present arrangements could undermine the achievement of business and/or control objectives and/or leave them vulnerable to some risk of error/abuse.
Limited assurance	The systems for risk, control, and governance have some satisfactory aspects, but contain a number of significant weaknesses that are likely to undermine the achievement of business and/or control objectives and leave them vulnerable to an unacceptable risk of error/abuse.
No assurance	The systems for risk, control, and governance are ineffectively designed and/or are operated ineffectively such that business and/or control objectives are not being achieved and the risk of serious error/abuse is unacceptable. Significant improvements are required.

Individual finding ratings

Risk Rating	Description
Critical	<p>A finding that could have a critical impact in terms of:</p> <ul style="list-style-type: none"> operational performance; or monetary or financial statement impact; or breach in laws and regulations that could result in material fines or consequences; or the Integration Joint Board's reputation.
High	<p>A finding that could have a significant impact in terms of:</p> <ul style="list-style-type: none"> operational performance; or monetary or financial statement impact; or breach in laws and regulations that could result in significant fines or consequences; or the Integration Joint Board's reputation.

Risk Rating	Description
Medium	A finding that could have a moderate impact in terms of: <ul style="list-style-type: none">• operational performance; or• monetary or financial statement impact; or• breach in laws and regulations that could result in moderate fines or consequences; or• the Integration Joint Board's reputation.
Low	A finding that could have a minor impact in terms of: <ul style="list-style-type: none">• operational performance; or• monetary or financial statement impact; or• breach in laws and regulations with limited consequences; or• the Integration Joint Board's reputation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or poor practice.

Appendix 2 - Limitations & responsibilities

Limitations inherent to the internal auditor's work

We have undertaken a review of performance management and reporting, subject to the limitations outlined below.

Internal control

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of the Integration Joint Board's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, deliberate circumvention of control processes by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of the development, monitoring and maintenance of the Integration Joint Board's performance management and reporting as at the period from 1 April 2016 to 31 March 2017. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavors to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we will perform further work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when performed with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities that may exist.

The Integration Joint Board's Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or impropriety in order to consider the adequacy of the relevant controls, and to evaluate the implication of fraud and corruption for his opinion on the Integration Joint Board's internal control environment.

Appendix 3 – Action Plan

Ref	Recommendation	Risk Rating	Management Response	Responsible Officer	Target Date
1	<p>Future Annual Performance Reports should include:</p> <ul style="list-style-type: none"> a description of the extent to which the arrangements set out in the Strategic Plan and the expenditure allocated in the financial statements have achieved, or contributed to achieving, the national health and wellbeing outcomes. (Management should also consider the benefits of reflecting this within the Strategy Map); and, the proportion of the total amount paid to, or set aside for use by, the integration authority spent during the reporting year in relation to each identified locality (this should also be subject to regular, ongoing monitoring between successive annual Reports). 	Medium	<p>The Partnership will consider how we develop our approach to this over time. We will begin to set out our approach within the 2017/18 Annual Performance Report.</p> <p>The Partnership acknowledges we have further development work to do in relation to matching activity and thereafter expenditure to populations within localities. This will be an area of focus during 2018/19 and reflected in Annual Performance Reports from 18/19 onwards.</p>	<p>Chief Finance Officer</p> <p>Chief Finance Officer</p>	<p>July 2018</p> <p>July 2019</p>
2	As a future development, consideration should be given to how performance data can provide assurance against the IJB's strategic risks and ensure appropriate links are made between performance reports and the strategic risk register.	Low	The format of the strategic risk register is under review and the Partnership will consider how the linkages between performance and risk can be enhanced. This work will be taken forward by the Performance and Measurement Sub-Group.	Chief Officer	September 2018
3	Future reiterations of the Integration Joint Board Performance Report should cover performance information in respect of all Local Outcomes and national priority indicators. Where reporting is on an	Medium	The Partnership describes its Local Priorities and Local Outcomes in the Strategic Plan and other key Partnership documents and it is useful for users of	Chief Officer	September 2018

Ref	Recommendation	Risk Rating	Management Response	Responsible Officer	Target Date
	exceptions basis, the report should also be transparent about any agreed Outcomes or indicators where performance information is not available and why, in order that this is clear to those scrutinising the information.		information to have consistent language used to avoid confusion. The Integration Joint Board receives an overview of performance in relation to the National Health and Wellbeing Indicators. Our local priorities and outcomes support progress towards these.		
4	<p>The review of operational performance reporting arrangements should consider:</p> <ul style="list-style-type: none"> development, with the constituent authorities, of a formal data quality assurance process to ensure the consistency and comparability of reported performance data. This process could apply a risk-based approach, focusing on areas of data where there is greater risk; and, the feasibility of making performance data and analysis more current in order to better inform scrutiny and decision-making by the Integration Joint Board. Where such information is of appropriate significance and has been identified after the finalisation of the Performance Report, it should of course continue to be brought to the attention of the Integration Joint Board meeting verbally. 	Medium	<p>The constituent authorities are the data controllers for the information for the Partnership. The Performance and Measurement Sub-Group will be tasked to consider and develop an appropriate assurance process.</p> <p>The Joint Management Team will consider this as part of evolving operational performance monitoring arrangements. The feasibility will be dependent on the availability of validated information. The Partnership are currently re profiling officer job descriptions and tasks [within the current work force] to support the development of operational performance information and analysis.</p>	Chief Officer	September 2018
5	The Performance Reporting review being led by the Joint Management Team should include consideration of the level and detail of information the Integration Joint Board requires to receive on operational performance as well as the	Medium	The Joint Management Team will consider this as part of evolving operational performance monitoring arrangements.	Chief Officer	December 2018

Ref	Recommendation	Risk Rating	Management Response	Responsible Officer	Target Date
	circumstances in which operational performance issues should be escalated to the Integration Joint Board and/or the partners.				
6	<p>Consideration should be given to inclusion of a standard suite of information, within the regular Performance Report, about areas of performance where action is required. This could include:</p> <ul style="list-style-type: none"> • what has been achieved to date; • what further action is planned; • how progress on these actions is being monitored; • context and improvement activity; • definition and data source; and, • other relevant information. 	Medium	The Performance and Measurement Sub-Group will consider where the format of the Performance Reports requires to further develop to give appropriate detail of achievements to date, further actions and monitoring, However the Partnership is of the view the current is that the format of exception based narrative already does this to a degree and are mindful of the balance between detail and ensuring scrutiny of performance and actions.	Chief Officer	September 2018
7	Performance reporting should be enhanced to ensure that where indicators do not show satisfactory performance or are considered to be high risk, performance objectives are identified to focus action on these areas: those objectives and actions should be recorded in the Performance Report in order to facilitate informed scrutiny.	Medium	The Performance and Measurement Sub Group will be asked to consider how this can be incorporated into future reporting. This will require, where appropriate, to be incorporated into and inform an assessment of resource required to improve performance. As noted above, the Partnership are currently re profiling officer job descriptions and tasks [within the current work force] to support the development of operational performance information and analysis.	Chief Officer	September 2018



**Clackmannanshire
Council**



Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

21 February 2018

This report relates to
Item 9 on the agenda

Strategic Risk Register

(Paper presented by Shiona Strachan, Chief Officer)

For Approval

Approved for Submission by	Shiona Strachan, Chief Officer
Author(s)	Ewan C. Murray, Chief Finance Officer Shiona Strachan, Chief Officer
Date	19 February 2018
List of Background Papers: Clackmannanshire and Stirling Integration Joint Board Risk Strategy	
Appendices: Appendix 1 – Strategic Risk Register	

Title/Subject: Strategic Risk Register

Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee

Date: 21 February 2018

Submitted By: Ewan C. Murray, Chief Finance Officer

Action: For Approval

1. Introduction

1.1 This report provides the Audit Committee with the current Strategic Risk Register.

2. Executive Summary

2.1. The Strategic Risk Register was considered in full by the Integration Joint Board in April 2017.

2.2. Scrutiny and monitoring of the full Strategic Risk Register forms part of the Audit Committees agreed terms of reference.

3. Recommendations

The Audit Committee is asked to:

3.1. Approve the updated register with regard to progress of relevant actions, and the alignment to key strategic processes.

3.2. To note the ongoing development of the risk register and reporting arrangements

4. Background and Considerations

4.1. The Strategic Risk Register was considered in full by the Integration Joint Board in April 2017.

4.2. Since that point the Integration Joint Board receive updates on high risks on an exception based as part of ongoing Performance Management arrangements.

4.3. Taking into account feedback from users of the Risk Register and appropriate professional advice the format and structure of the Strategic Risk Register has been reviewed to enhance readability and scrutiny.

- 4.4. The Strategic Risk Register will be further reviewed by the Joint Management Team in April 2018 post 2018/19 Budget setting, which will incorporate an update on strategic financial risks, and other considerations in relation to governance by the Integration Joint Board in March 2018.
- 4.5. A further update to the Strategic Risk Register will be presented to the Audit Committee in June 2018

5. Conclusions

- 5.1. The Strategic Risk Register (Appendix1) outlines the key risks to achieving the Integration Joint Board's Strategic Plan, and processes in place to mitigate those risks. It provides the Board with assurance that risks have been identified and are being managed appropriately.
- 5.2. The Strategic Risk Register is a dynamic document and will continue to evolve as partnership arrangements develop.

6. Resource Implications

- 6.1. This report has no direct financial implications for the Integration Joint Board.

7. Impact on Integration Joint Board Priorities and Outcomes

- 7.1. Effective and efficient risk management arrangements support the Integration Joint Board to make best use of scarce public resources in pursuance of its priorities and outcomes.

8. Legal & Risk Implications

- 8.1. The Strategic Risk Register forms part of the Integration Joint Boards governance and risk arrangements and as such is kept under regular review

9. Equality and Human Rights Impact Assessment

- 9.1. N/A.

10. Exempt reports

- 10.1. Not exempt.

CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 19 February 2018

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action	Risk Owner(s)	Notes
HSCP 001	Financial Resilience (This risk relates to financial and operational stability, and commissioning. It includes the sustainable capacity across all sectors, and co-location and/or sharing of teams and assets).	<ol style="list-style-type: none"> National Core Outcome 'Resources are Used Effectively & Efficiently' Local Outcome 'Decision Making' 	<p>Current (4)</p> <p>Target (3)</p>	<p>Current (5)</p> <p>Target (5)</p>	<p>Current (20) High</p> <p>Target (15) Medium</p>	<ol style="list-style-type: none"> Establish efficiency and redesign monitoring arrangements including establishment of and terms of reference for Transformational Change Group Review and assess deliverability of efficiency and redesign programmes and alignment to Strategic Plan. Develop financial strategy to complement and support delivery planning to implement Strategic Plan. Ensure all providers sign up to the 17/18 National Care Home Contract Settlement. Identify and mitigate as far as possible the financial risk associated with Carers Act implementation through effective planning arrangements. Develop planning arrangements for Unscheduled Care and the 'set aside' budget for large hospital services linked to Ministerial Steering Group indicators. Establish and review reserves policy and strategy as part of prudent financial planning and management arrangements. Review and agree relationship with Alcohol and Drugs partnership including financial plan and impact on outcomes. Produce and agree evaluation of impact and outcomes from investment of Partnership Funding Streams Horizon Scanning arrangements 	Chief Finance Officer	<p>There is a need to further at the implications of the stepped delegation of operational responsibilities to Chief Officer in 17/18 and onwards further to report to Stirling Council Social Care and Health Committee in October 2017 and NHS Forth Valley paper on Integrated Structures to Integration Joint Board in December 2017.</p> <p>Key financial risks updated annually as part of budget setting cycle.</p>

CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 19 February 2018

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action	Risk Owner(s)	Notes
						<p>across the Partnerships e.g. through monthly finance officers meetings to highlight potential emerging risks and/or changes in policy or legislation with financial implications e.g. Free Personal Care for < 65's</p> <p>11. Financial Reporting to Integration Joint Board, Strategic Planning Group and Joint Management Team</p> <p>12. Ongoing monitoring of demand trends and relationship between investment and key performance indicators.</p>		
HSC 002	Leadership, Decision Making and Scrutiny (including effectiveness of governance arrangements and potential for adverse audits and inspections).	<p>1. National Core Outcome 'Resources are Used Effectively & Efficiently'</p> <p>2. Local Outcome 'Decision Making'</p>	<p>Current (3)</p> <p>Target (2)</p>	<p>Current (4)</p> <p>Target (4)</p>	<p>Current (12) Medium</p> <p>Target (8) Low</p>	<p>1. There is a joint leadership structure which reflects partnership arrangements.</p> <p>2. Develop planning and operational structures</p> <p>3. Develop role and Function of Strategic Planning Group and Strategic Plan Working Group</p> <p>4. Review of Governance and Committee arrangements.</p> <p>5. Integration Joint Board development programme</p> <p>6. Establishment of Delivery Plan (April 2017) incorporating Transformational Change Programme</p> <p>7. Work with Glasgow Caledonian University on development and application of Priority Setting Frameworks.</p>	Chief Officer	<p>Annual external audit report 16/17 did not identify any instances of non-compliance with the Code in relation to the Annual Governance Statement.</p> <p>Risk-based Internal Audit Plan 16/17 included review of governance processes. This found that, generally corporate governance arrangements are appropriate and are operating effectively. No critical or high risk findings.</p> <p>Governance Action Plan being monitored by the Audit Committee.</p>

CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 19 February 2018

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action	Risk Owner(s)	Notes
HSC 003	Sustainability of Partnership (The unique three way Health & Social Care Partnership fails to further develop due to differing priorities and requirements).	1. National Core Outcome 'Resources are Used Effectively & Efficiently'.	Current (2) Target (1)	Current (5) Target (5)	Current (10) Medium Target (5) Low	<ol style="list-style-type: none"> 1. Establish, implement and periodically review Governance Framework. 2. Regular meetings between Chief Executives and Leaders of Councils established to ensure flow of communication. 3. Regular Meetings of Leadership Group 4. Pre Agenda and use of briefings / seminars where appropriate (e.g. budget seminars for voting members November 17 and February 2018) 5. Review of Governance and committee arrangements. 6. Board Organisational Development Programme. 	Chief Officer	Further update on governance arrangements will be presented to March 18 Integration Joint Board meeting.
HSC 004	Performance Framework (This relates to the responsibility of the Health and Social Care Partnership to provide an overview of performance in planning and carrying out the integrated functions in an open and accountable way).	<ol style="list-style-type: none"> 1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making'. 	Current (2) Target (1)	Current (4) Target (4)	Current (8) Low Target (4) Low	<ol style="list-style-type: none"> 1. Provide clarity of key priorities within Strategic Plan to ensure focus for the Integration Joint Board in performance assessment. 2. Minimise duplication and bureaucracy to ensure performance management and reporting meaningful and realistic. 3. Measuring Performance Under Integration agree and monitor targets / trajectories. 4. Further develop approach to Annual Performance Report including future development of planning and reporting at locality level and benchmarking with 'peer' Health and Social Care Partnerships. 5. Internal Audit Review of Performance Management Arrangements 	Performance and Measurement Work stream Lead / Chief Officer / Chief Finance Officer	

CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 19 February 2018

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action	Risk Owner(s)	Notes
HSC 005	Culture/HR/Workforce Planning (This risk relates broadly to the work of Human Resource management across all partners to Workforce Planning for the 'in scope' workforce. It includes developing culture, behaviours and values, as well as sustainable change skills and capabilities).	<ol style="list-style-type: none"> National Core Outcome 'Engaged Workforce', and 'Resources are Used Effectively & Efficiently' Local Outcome 'Decision Making' HSCP priority 'Develop Single Care Pathways', and 'Support more Co-location of Staff from across Professions and Organisations' 	<p>Current (2)</p> <p>Target (1)</p>	<p>Current (4)</p> <p>Target (4)</p>	<p>Current (8) Low</p> <p>Target (4) Low</p>	<ol style="list-style-type: none"> Develop multi-disciplinary care pathways and teams. Develop workforce strategy and plan. Communicate regularly with staff. Organisational Development working with staff to support culture change. Collaborative Leadership in Practice (CLiP) programme for Joint Management Team Models of Neighbourhood Care in Rural West Stirlingshire 	Workforce Work stream Lead & Joint Management Team	Key strategic plans in place, Workforce Strategy (Jan 2016), and Participation & Engagement Strategy (Feb 2016).
HSC 006	Experience of service users/patients/unpaid carers (This risk is about failure to engage adequately and fully with stakeholders, in particular those harder to reach groups of service users and their unpaid carers. It includes feedback and learning from complaints. Key challenges in this area are around measuring and evidencing change).	<ol style="list-style-type: none"> National Core Outcome 'Carers are supported', and 'Positive Experiences' and Local Outcome 'Experience' Local Outcome 'Community Focused Supports' HSCP priority 'Further develop anticipatory and planned care services', 'Develop 7 day access to appropriate services', and 'Take further steps to reduce the number of unplanned admissions to hospital and acute services' 	<p>Current (4)</p> <p>Target (3)</p>	<p>Current (4)</p> <p>Target (3)</p>	<p>Current (16) High</p> <p>Target (9) Low</p>	<ol style="list-style-type: none"> Implement Participation and Engagement Strategy. Planning for implementation of Carers Act. Collegiate working across Forth Valley in relation to Ministerial Steering Group (MSG) indicators. 2018/19 Budget Consultation process 	Chief Officer	An Equality Outcomes and Mainstreaming Report has been considered by the Integration Joint Board in April 2016 and published. Equality and Human Rights Impact Assessment will be completed where required. The IJB report template includes sections on Consultation and Equalities Assessment, which ensures that the Board are aware of the extent of consultation undertaken when decisions are being taken.

CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 19 February 2018

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action	Risk Owner(s)	Notes
HSC 007	Information Management and Governance (This risk relates to Information Management and Governance, and the risk of increased demand for relevant areas of provision covering Health & social Care combined. It includes the lack of resources which are fit for purpose, capacity and capability of staff, as well as records and data management processes. It also covers Information and Communication Technology systems, infrastructure, data protection and data sharing).	<ol style="list-style-type: none"> 1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making' HSCP priority 'Provide more single points of entry to services', 3. 'Develop 7 day access to appropriate services,' 4. 'Further develop systems to enable front line staff to access and share information', and 'Support more co-location of staff from across professions and organisations.' 	<p>Current (4)</p> <p>Target (3)</p>	<p>Current (4)</p> <p>Target (4)</p>	<p>Current (16) High</p> <p>Target (12) Medium</p>	<ol style="list-style-type: none"> 1. Refresh data sharing governance arrangements. 2. Consider development of information sharing portal. 3. Development of Cross ICT system working capabilities across constituent authorities. 	Chair of Data Sharing Partnership	This risk relates to Information Management and Governance. Including the difference between anonymised information, identifiable information, and performance information.
HSC 008	Information sharing process and practice (This relates to the risk of a lack of a structured common information provision across council social work areas and NHS, which is monitored, evaluated and managed operationally within integrated functions of the Clackmannanshire and Stirling Health and Social Care Partnership).	<ol style="list-style-type: none"> 1. National Core Outcome 'Resources are Used Effectively & Efficiently' 2. Local Outcome 'Decision Making' 3. HSCP priority ' Further develop systems to enable front line staff to access and share information' 	<p>Current (4)</p> <p>Target (3)</p>	<p>Current (4)</p> <p>Target (4)</p>	<p>Current (16) High</p> <p>Target (12) Medium</p>	<ol style="list-style-type: none"> 1. Building sufficient capacity and capabilities to carry out analytical functions for partnership in the long term including use of LIST Analysts 2. Appropriate Information Sharing Agreements are in place and reviewed timeously. 3. Develop use of SOURCE system to inform planning and benchmarking. 	Chair of Data Sharing Partnership	This risk relates to Information Management and Governance. Including the difference between anonymised information, identifiable information, and performance information.

CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 19 February 2018

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action	Risk Owner(s)	Notes
HSC 009	Effective Links with other Partnerships (This risk relates to partnership planning and effective links with other partnerships. Such as Community Planning, Third and Voluntary Sectors, Criminal Justice, Housing, Falkirk Health and Social Care Partnership, Emergency Planning and Resilience Partnership).	<p>1. National Outcome 'Resources are Used Effectively and Efficiently, and ' People are safe'</p> <p>2. Health and Social Care Partnership priority 'Develop single care pathways, and ' Provide more single points of entry to services'</p>	Current (3) Target (2)	Current (3) Target (3)	Current (9) Low Target (6) Low	<p>1. Develop statutory links with Community Planning Partnerships in Clackmannanshire and Stirling.</p> <p>2. Develop links with Public Protection Fora.</p> <p>3. Clarification of Relationship and Accountabilities with Alcohol and Drug Partnerships at Forth Valley and Partnership levels.</p> <p>4. Develop relationships, linked to approach to Annual Performance Report, with 'peer' Health and Social Care Partnerships</p> <p>5. Maintain effective working relationships with Third Sector Interface organisations.</p>	Chief Officer, Chief Finance Officer and Programme Manager	Links are currently established with partners, including: a) Criminal Justice Authority (and successors) and Community Planning Partnership (note: these are Statutory links) b) Alcohol and Drugs Partnership (ADP) and Public Protection fora c) Third and Independent Sectors – representation as appropriate at Integration Joint Board and Strategic Planning Group d) Housing Contribution Group e) Other Integration Authorities – via the Chief Officer, Chief Finance Officer and Integration Managers Networks

CLACKMANNANSHIRE & STIRLING HEALTH & SOCIAL CARE PARTNERSHIP: STRATEGIC RISK REGISTER AT 19 February 2018

Ref	Risk	Strategic Fit	Likelihood	Impact	Risk Score	Risk Reduction Action	Risk Owner(s)	Notes
HSC 010	<p>Harm to Vulnerable People, Public Protection and Clinical & Care Governance</p> <p>(This risk relates to the risk to self, to others, and from others. Public Protection and involves the strategic work of the Adult Protection and involves the strategic work of the Adult Protection Lead Officer, Child Protection Lead Officer, Mental Health Officers, Independent Chair of the Adult and Child Protection Committees, as well as processes such as PVG checking, and training procedures).</p>	<p>1. National Outcome 'Resources are Used Effectively and Efficiently', 'People are safe', 'Positive Experience',</p> <p>2. 'Quality of life' Local Outcome 'Self-Management' 'Community Focused Supports', 'safety', Experience'</p> <p>3. HSCP priority 'Develop single care pathways', 'Take further steps to reduce the number of unplanned admissions to hospital and acute services', 'Deliver Stirling Care Village', 'Further develop anticipatory and planned care services'</p>	<p>Current (2)</p> <p>Target (1)</p>	<p>Current (4)</p> <p>Target (4)</p>	<p>Current (8) Low</p> <p>Target (4) Low</p>	<p>1. Integration Joint Board has assurance that services operate and are delivered in a consistent and safe way.</p> <p>2. Services work together to strive to meet Delayed Discharge targets.</p> <p>3. Development of Care Village in Stirling and agreement around model of care.</p> <p>4. Primary Care Out Of Hours Service Review.</p> <p>5. Review End Of Life Care pathways to ensure the right care is provided at the right time.</p> <p>6. Establishment of Quarterly Clinical and Care Governance Meetings.</p> <p>7. Review of Intermediate Care Services</p>	<p>Chief Social Work Officers / NHS Forth Valley Medical Director</p>	

