

# Integration Joint Board



## Co-bhòrd an Amalachaidh

**Internal Audit Follow Up Report**

**Due Diligence and Governance Arrangements**

**Final Report – 2016/17- IJB1 -2**

**30<sup>th</sup> January 2017**

**INTEGRATION JOINT BOARD  
INTERNAL AUDIT FOLLOW UP REPORT  
DUE DILIGENCE AND GOVERNANCE ARRANGEMENTS**

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**SECTION 1 – EXECUTIVE SUMMARY**

**Introduction**

1.01 This follow up report has been prepared for the Integration Joint Board’s Audit Committee. The original report advised of a number of recommendations made in ‘Due Diligence and Governance Arrangements’ report which was issued on 31<sup>st</sup> August 2016. The follow up review was undertaken in accordance with the operational annual internal audit plan for 2016/17.

**Internal audit objective**

1.02 Following up internal audit reports and assessing the level of compliance with recommendations made is an important part of the internal audit function.

1.03 In accordance with the remit detailed in the operational annual internal audit plan for 2016/17, our internal audit work was designed to obtain assurance that the original recommendations have been implemented. We obtained this assurance through internal audit testing and undertaking discussions with key personnel.

1.04 The main recommendation in the original report was:

- The IJB continues to assess the actual risks and financial performance against the pre-integration assumptions so that the objectives of integration remain on course to be achieved and the delegation of resources by both the Comhairle and NHS Eilean Siar are deemed sufficient and a legal budget has been set which fulfils the aspirations contained in the Strategic Plan; and
- Consideration be given to disclosing and quantifying in the accounts of the IJB the scale of corporate support being provided by the Comhairle and NHS Eilean Siar if it is deemed material.

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**SECTION 1 – EXECUTIVE SUMMARY (CONTINUED)**

**Detailed findings**

1.05 The current status of progress against the original recommendations can be summarised as follows:-

**Key to status**







Fully implemented;



Partly implemented, although further work is required to meet the objective of the recommendation; or





Insufficient progress to date.

| Recommendation   | Action to Date                        | Status  |
|--|---------------------------------------|---|
| <p>The IJB continues to assess the actual risks and financial performance against the pre-integration assumptions so that the objectives of integration remain on course to be achieved and the delegation of resources by both the Comhairle and NHS Eilean Siar are deemed sufficient and a legal budget has been set which fulfils the aspirations contained in the Strategic Plan.</p> | <p>Fully implemented.</p>             |   |
| <p>Consideration be given to disclosing and quantifying in the accounts of the IJB the scale of Corporate Support being provided by the Comhairle and NHS Eilean Siar if it is deemed material.</p>  | <p>Partly implemented.</p>            |  |
| <p>Clarification is required in the IJB Financial Regulations in relation to Paragraph 5 and Paragraph 65.</p>   | <p>Insufficient progress to date.</p> |  |
| <p>Consideration be given to additional monitoring of medium to high risk identified savings, allowing early alert to potential issues arising which may affect the ability of the IJB to fulfil their savings targets, particularly relating to the inclusion of workforce planning and savings across both parent bodies being included.</p>   | <p>Fully implemented.</p>             |  |

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**SECTION 1 – EXECUTIVE SUMMARY (CONTINUED)**

| <b>Recommendation</b>  | <b>Action to Date</b>          | <b>Status</b>   |
|--|--------------------------------|---|
| A medium to long term financial plan should be considered insofar as to provide the IJB with potential funding scenarios based on sensitivity to financial settlement. | Partly implemented.            |  |
| An up to date job description outlining the responsibilities and Section 95 role of the Chief financial Officer be implemented as a matter of priority.                | Insufficient progress to date. |  |

**Concluding remarks**

- 1.06 From our follow up testing, we note that out of the 6 follow up recommendations made in the original follow up report 2 appear to have been fully implemented, with the remaining items to be completed by 31 March 2017.
- 1.07 For Comhairle nan Eilean Siar Internal Audit Services.

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Comhairle nan Eilean Siar  
Sandwick Road  
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HS1 2BW

30<sup>th</sup> January 2017

**INTEGRATION JOINT BOARD  
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SECTION 2 – DETAILED FINDINGS**

2.1

| Action recommended   | Action by   | Progress to Date   | Action outstanding |
|--|---|--|--------------------|
| <p>The IJB continues to assess the actual risks and financial performance against the pre-integration assumptions so that the objectives of integration remain on course to be achieved and the delegation of resources by both the Comhairle and NHS Eilean Siar are deemed sufficient and a legal budget has been set which fulfils the aspirations contained in the Strategic Plan.</p> | <p>Debbie Bozkurt Chief Financial Officer<br/>4 August 2016 (first time presented to ICMT) and ongoing.<br/>Month 4 will be presented to IJB on 22 September 2016</p> | <p>A monthly monitoring report is prepared for ICMT and for the IJB Board. This includes a summary page and then more detailed variation monitoring per Head of Service together with a risk assessed FEP monitoring statement and an overall financial risk statement. Evidence as attached (Month 7 report that went to IJB on 22<sup>nd</sup> December).<br/><br/><a href="#">..\Month Board Reports\Month 7.docx</a></p> | <p>None.</p>       |

2.2

| Action recommended  | Action by   | Progress to Date  | Action outstanding                      |
|---|---|---|---|
| <p>Consideration be given to disclosing and quantifying in the accounts of the IJB the scale of Corporate Support being provided by the Comhairle and NHS Eilean Siar if it is deemed material.</p> | <p>Debbie Bozkurt Chief Financial Officer<br/>Will be assessed for materiality by 31 March 2017 for the first full year accounts.</p> | <p>The scale of Corporate Support will be assessed at month 12 to ascertain if deemed material.</p> | <p>To be completed by 31 March 2017</p> |

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**SECTION 2 – DETAILED FINDINGS**

2.3

| <b>Action recommended</b>   | <b>Action by</b>  | <b>Progress to Date</b>   | <b>Action outstanding</b>                          |
|---|---|---|--|
| Clarification is required in the IJB Financial Regulations in relation to Paragraph 5 and Paragraph 65. | Debbie Bozkurt<br>Chief Financial Officer<br>By 30 October 2016 | Clarification has just been sought from the Head of Executive Office 17 January 2017. | Still outstanding. To be completed end of Feb 2017 |

2.4

| <b>Action recommended</b>   | <b>Action by</b>   | <b>Progress to Date</b>  | <b>Action outstanding</b> |
|---|--|--|---------------------------|
| Consideration be given to additional monitoring of medium to high risk identified savings, allowing early alert to potential issues arising which may affect the ability of the IJB to fulfil their savings targets, particularly relating to the inclusion of workforce planning and savings across both parent bodies being included. | Debbie Bozkurt<br>Chief Financial Officer<br>4 August 2016<br>(first time presented to ICMT) and ongoing.<br>Month 4 will be presented to IJB on 22 September 2016 | The IJB savings targets are monitoring and reported on a monthly basis as part of the monthly monitoring report. Please see link at 2.1. | None.                     |

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**SECTION 2 – DETAILED FINDINGS (CONTINUED)**

2.5

| <b>Action recommended</b>  | <b>Action by</b>  | <b>Progress to Date</b>  | <b>Action outstanding</b>                  |
|--|---|--|--|
| A medium to long term financial plan should be considered insofar as to provide the IJB with potential funding scenarios based on sensitivity to financial settlement. | Debbie Bozkurt<br>Chief Financial Officer<br>By mid to late March 2017<br>(tie in with NHS LDP timetable and IJB meeting) | Financial planning scenarios will be prepared as part of the NHS LDP and CnES budget setting process. This will be available towards the end of March 2017. There will be some uncertainty around the likely funding to be received from both parent bodies after 2017/18. | Not due to be completed to late March 2017 |

2.6

| <b>Action recommended</b>   | <b>Action by</b>  | <b>Progress to Date</b>  | <b>Action outstanding</b>   |
|---|---|--|---|
| An up to date job description outlining the responsibilities and Section 95 role of the Chief financial Officer be implemented as a matter of priority. | Marion Fordham<br>Director of Finance WIHB<br>The draft will be completed for approval by early October | Work is underway and job description has been partially completed. | An up to date job description outlining the responsibilities and Section 95 role of the Chief financial Officer be implemented. |



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**APPENDIX: RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND  
INTERNAL AUDIT**

**Internal controls**

It is the responsibility of 'Parent Bodies' management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as internal auditors is to evaluate significant financial systems and associated internal controls and to report to the Audit Committee on the appropriateness of such systems and controls. In practice, we cannot examine every financial activity and accounting procedure and we cannot substitute for management's responsibility to maintain adequate systems of internal controls over financial systems. We therefore may not identify all the weaknesses that exist in that regard.

**Fraud and corruption**

The prime responsibility for the prevention and detection of fraud and irregularities rests with the 'Parent Bodies' management. They also have a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity may have occurred and remained undetected.

We nevertheless endeavour to plan our audit so that we have a reasonable expectation of detecting material fraud, but our examination should not be relied upon to disclose all such material frauds as may exist.