



Audit and Performance Systems Committee

Report Title	Review of Financial Governance Arrangements
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author (Job Title, Organisation)	Alex Stephen, Chief Finance Officer
Report Number	HSCP/17/032
Date of Report	20.03.2017
Date of Meeting	11.04.2017

1: Purpose of the Report

- i) To provide the Audit & Performance Systems (APS) Committee with the results of the review undertaken by the Executive Team against financial governance requirements contained in the Chartered Institute of Public Finance and Accountancy (CIPFA)'s statement on the *'Role of the Chief Financial Officer in Local Government (2016)'*.

2: Summary of Key Information

During the audit of the Integration Joint Board's (IJB) 2015/16 annual accounts, Audit Scotland, the IJB's external auditors at that time, requested that during the first full year of operation a review be undertaken to ensure compliance with the financial governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). This request formed part of the 2015/16 annual governance statement which is contained in the annual accounts document.

The Executive Team have reviewed performance against the financial governance requirements and the results are contained in appendix 1 for discussion by the APS Committee. A copy of the document 'the role of the CIPFA Statement on the chief financial officer in local government' is contained in appendix 2 of this report. Given the document is largely for local government, some of the terminology and principles are not directly relevant in an IJB context.



Audit and Performance Systems Committee

The financial control environment of the IJB is complex, with several of the controls remaining with the partner organisations (NHS Grampian and Aberdeen City Council). However, a review has been undertaken and assurance has been provided against each of the principles. In relation to some of the principles, further development work is required and this work is largely already in process.

3: Equalities, Financial, Workforce and Other Implications

There are no equalities, financial or workforce recommendations arising directly from this report.

4: Management of Risk

Identified risk(s):

Good governance and internal controls are fundamental to the delivery of the strategic plan and therefore applicable to most of the risks within the strategic risk register.

Link to risk number on strategic or operational risk register: Risk numbers 1-10 of the strategic risk register.

How might the content of this report impact or mitigate the known risks:

This report provides assurance and evidence on the financial governance requirements as contained the CIPFA statement.

5: Recommendations

It is recommended that the Audit & Performance Systems committee:

1. Note the content of the report and comment on the accompanying results of the Executive team review.



Audit and Performance Systems Committee

Principle 1

The Chief Financial Officer in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.

Requirement	Statement	Evidenced by
Set out a clear statement of the respective roles and responsibilities of the Leadership Team and its members individually.	The IJB Executive Team: <ul style="list-style-type: none">• has a clear statement of its respective roles and responsibilities.	<ul style="list-style-type: none">• Job Descriptions of the IJB Executive Team Members.• IJB Executive Team Structure.• IJB Executive Team Minutes.
Ensure the CFO reports directly to Chief Executive and is a member of the leadership team with at least equal status to other members.	The IJB CFO: <ul style="list-style-type: none">• is a member of the IJB Executive Team and an advisor to the Integration Joint Board the two leadership forums.• reports directly to the Chief Officer with a status at least equivalent to the other Executive Team members.	<ul style="list-style-type: none">• IJB Executive Team Structure.• IJB Executive Team Minutes.• IJB minutes and reports.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by
<p>Determine a scheme of delegation and reserve powers, including a formal schedule of those matters specifically reserved for collective decisions by the Board and these should be reviewed.</p>	<p>The IJB:</p> <ul style="list-style-type: none"> • Is governed by its standing orders and the integration scheme. • Terms of Reference have been agreed and reviewed for both sub committees. <p>NHS Grampian (NHSG) and Aberdeen City Council (ACC):</p> <ul style="list-style-type: none"> • Both have lists of powers reserved for officers and authorisation limits. 	<ul style="list-style-type: none"> • IJB Standing Orders/Integration Scheme. • Sub Committee Terms of Reference. • ACC and NHSG schemes of delegation. • IJB minutes and agendas. <p>Future Work:</p> <ul style="list-style-type: none"> • Review of officers' delegations and powers following first full year of operation. • Review being undertaken of standing orders and dispute procedures in integration scheme. • Further work being undertaken on format and procedures for issuing directions.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by
Ensure that the IJB's Governance arrangements allow the CFO to bring influence to bear on all material business decisions and has direct access to Chief Executive, other leadership team members, the audit committee and external audit	<p>The IJB CFO:</p> <ul style="list-style-type: none">• is a member of the Executive Team and reports to the Chief Officer.• is responsible for the coordination of reports for the Audit and Performance Systems Committee.• is a non-voting member of the IJB.• is the IJB contact for external audit matters.	<ul style="list-style-type: none">• IJB Executive Team Structure.• IJB Executive Team Minutes.• AP&S Minutes.• IJB minutes and reports.
Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised.	<p>The IJB CFO:</p> <ul style="list-style-type: none">• has management responsibility for business management, infrastructure and assets, communications, organisational development and is the IJB client manager for central support services.• these management responsibilities are led and managed by suitably qualified staff and the CFO does therefore not feel that these responsibilities compromise financial matters.	<ul style="list-style-type: none">• Senior Business Management Team Structure.• Senior Business Management Team Minutes and Agendas.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by
<p>Assess the financial skills required by the leadership team and commit to developing these skills to enable their roles to be carried out effectively.</p>	<p>The IJB CFO:</p> <ul style="list-style-type: none"> • is confident that the Executive Team members have the financial capabilities to perform their jobs effectively. 	<ul style="list-style-type: none"> • IJB Executive Team Minutes <p>Development Work:</p> <ul style="list-style-type: none"> • The CFO will develop and deliver financial training for IJB managers once the structure below the Executive Team has been recruited to.
<p>Review partnership arrangements to ensure the authority always has access to financial advice in relation to its role in partnership.</p>	<p>The IJB:</p> <ul style="list-style-type: none"> • has partnership relationships formally identified through the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. • has its own Chief Finance Officer to provide independent financial advice. • has agreed a budget protocol which establishes how future budgets should be agreed. • has developed and continues to develop relationships with care providers. • has a membership heavily influenced by its 	<ul style="list-style-type: none"> • Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. • IJB Executive Team Structure. • Care provider forums. • IJB membership lists. • IJB Budget Protocol. • ACC corporate management team structure. • NHS Grampian Senior Leadership Team structure.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by
	<p>partners.</p> <p>The IJB Chief Officer</p> <ul style="list-style-type: none">• is a member of the NHS and ACC senior leadership teams. <p>The IJB CFO</p> <ul style="list-style-type: none">• is in the process of establishing collaborative contract management arrangements for Bon Accord Care.	



Audit and Performance Systems Committee

Principle 2

The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority’s overall financial strategy.

Requirement	Statement	Evidenced by:
<p>Establish a medium term business and financial planning process to deliver the authority’s strategic objectives.</p>	<p>The IJB CFO:</p> <ul style="list-style-type: none"> worked collaboratively with the senior officers to produce a balanced budget which allowed the services in the strategic plan to be delivered. this budget included a projection of funding requirements for the next five financial years. the budget process was developed to allow all senior managers in the partnership to input. 	<ul style="list-style-type: none"> Financial Strategy reports to the IJB on 31/01 and 7/03. IJB Budget Protocol. Slides from IJB/Senior management finance workshops. IJB budget timetable. <p>Development Work:</p> <p>Budget process development to include more strategic focus, a stronger link to transformation plans and greater review of medium term financial position.</p>



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by:
	<p>The IJB:</p> <ul style="list-style-type: none">• a budget protocol was agreed at the IJB.• 3 budget workshops were undertaken with all IJB members.	
Ensure that these are subject to continuing review of the assumptions	<p>The IJB CFO:</p> <ul style="list-style-type: none">• reviews the budget assumptions through the budget monitoring process.	<ul style="list-style-type: none">• Regular budget monitoring reports to the IJB
Ensure that professional advice on matters that have financial implications is available and recovered well in advance of decision making	<p>The IJB CFO:</p> <ul style="list-style-type: none">• reviews all IJB reports and signs these off from a financial perspective before publication.	<ul style="list-style-type: none">• IJB reports and minutes



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by:
Ensure that budget calculations are robust and reserves adequate.	The IJB CFO: <ul style="list-style-type: none">Developed a reserves strategy which was approved by the IJB.reviewed the reserve levels during the financial strategy work and requested the IJB ring fence funding as a 'risk reserve'.	<ul style="list-style-type: none">IJB reserve strategy.IJB minute approving reserve strategy.IJB financial strategy reports (31 January and 7 March).
Ensure those making decisions are provided with financial information which is relevant, timely and clear.	The IJB CFO: <ul style="list-style-type: none">reviews all IJB reports and signs these off from a financial perspective before publication.attends the IJB as a non-voting member and provides advice where and when appropriate.	<ul style="list-style-type: none">IJB reports and minutes.IJB Executive Team Reports and Minutes.
Ensure that the authority meets its policy and service objectives and provided effective stewardship of public money and value for money in its use.	The IJB: <ul style="list-style-type: none">has agreed a performance management framework which is regularly reviewed by the IJB and at the APS Committee.approves spend and issues directions for procurement spend over £50,000.	<ul style="list-style-type: none">IJB reports and minutes.IJB integration scheme.IJB financial regulationsACC Procurement regulations.ACC financial regulations .ACC delegated powers.NHSG schedule of reserved



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by:
	<p>NHSG and ACC:</p> <ul style="list-style-type: none">• have procurement and financial standing orders which demonstrate best value.	<p>decisions.</p> <ul style="list-style-type: none">• NHSG standing financial instructions. <p>Development Work:</p> <ul style="list-style-type: none">• Process for issuing directions needs to be refined.
<p>Ensure that authority maintains a prudential financial framework, keeps its commitment in balances with available resources, monitors income and expenditure levels and takes corrective action when necessary.</p>	<p>The IJB CFO:</p> <ul style="list-style-type: none">• reviews the budget assumptions through the budget monitoring process. <p>The Executive Team:</p> <ul style="list-style-type: none">• review budget monitoring and where possible develop plans to rectify adverse movements in the financial position.	<ul style="list-style-type: none">• Regular budget monitoring reports to the IJB.• Executive Team – Agendas, Reports and Minutes.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by:
Ensure the authority understands the budgetary commitment of a contracted service including longer term financial implications.	The IJB CFO: <ul style="list-style-type: none">prepared an indicative 5 year budget which was approved by the IJB. The IJB: <ul style="list-style-type: none">is provided with the financial implications of decision in future years in its reports.	<ul style="list-style-type: none">IJB Budget report 7 March.Transformation Update reports.IJB reports – financial implications sections.
Ensure advice is provided on reserve levels in line with good practice.	The IJB CFO: <ul style="list-style-type: none">Developed a reserves strategy which was approved by the IJB.review the reserve levels during the financial strategy work and requested the IJB ring fence funding as a 'risk reserve'.	<ul style="list-style-type: none">IJB reserve strategy.IJB minute approving reserve strategy.IJB financial strategy reports (31 January and 7 March).
Ensure compliance with CIPFA's prudential code for capital finance in local authorities and CIPFA's Treasury Management in the Public Services Code of Practice.	The IJB has no responsibility for treasury management.	N/A.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by:
Ensure that appropriate management accounting systems, functions and controls are in place so finances are kept under review.	NHSG and ACC: <ul style="list-style-type: none">• provide the management accounting systems, functions and controls for the IJB.• these systems are reviewed regularly by internal audit.	<ul style="list-style-type: none">• Internal Audit Reports of ACC, NHSG and IJB.• Internal Auditor's opinion on internal controls of ACC, NHSG and IJB.
Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget holders.	NHSG and ACC: <ul style="list-style-type: none">• Finance managers provide financial information and advice to budget holders on a regular basis.	<ul style="list-style-type: none">• Budget monitoring reports and timetables for budget holders.
Ensure that medium-term business and financial planning systems along with ongoing performance monitoring cover the services provided through partnerships and alternative delivery models.	The IJB: <ul style="list-style-type: none">• Received full details and approved the budget for Bon Accord Care (BAC).• Has received two reports on BAC's financial performance.• Will consider a report on BAC's Strategic Plan at its meeting on 28 March.	<ul style="list-style-type: none">• IJB reports and minutes. <p>Development Work: Collaborative contracts review of BAC is being developed, with representatives from BAC contracts, adult social care and finance.</p>



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by:
Ensure that the prudential financial framework accurately reflects the commitments and potential future impact of contracted future services.	The IJB has no responsibility for treasury management.	N/A



Audit and Performance Systems Committee

Principle 3

The CFO in a local authority must lead the promotion and delivery by the whole authority for good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

Requirement	Statement	Evidenced By
<p>Make the CFO responsible for ensuring appropriate advice is given on all financial matters, for keeping financial records and accounts, and maintaining an effective system of financial control.</p>	<p>The IJB CFO:</p> <ul style="list-style-type: none"> has responsibility for these matter as indicated in the CFO job description. <p>The IJB:</p> <ul style="list-style-type: none"> needs to place assurance on ACC and NHS Grampian for some elements of the financial control system, which in turn are regularly reviewed by their internal audit functions. 	<ul style="list-style-type: none"> CFO Job description. ACC and NHS Grampian - annual accounts. Internal Audit's –Annual report and Statement on the internal control system – ACC, NHS Grampian and IJB.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced By
<p>Ensure that system and processes for financial administration, financial control and protection of the authority’s resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.</p>	<p>The IJB:</p> <ul style="list-style-type: none"> needs to place assurance on ACC and NHS Grampian for some elements of the financial control system, which in turn are regularly reviewed by their internal audit functions. 	<ul style="list-style-type: none"> ACC and NHS Grampian - annual accounts. Internal Audit’s –Annual report and Statement on the internal control system – ACC, NHS Grampian and IJB.
<p>Ensure that the authority puts in place effective internal financial controls. Ensuring that these controls are an integral part of the authority’s underlying framework of corporate governance and that they are reflected in its local code.</p>	<p>The IJB:</p> <ul style="list-style-type: none"> needs to place assurance on ACC and NHS Grampian for some elements of the financial control system, which in turn are regularly reviewed by their internal audit functions. Through the AP&S committee, have developed a local code of corporate governance, in line with guidance from CIPFA/SOLACE (subject to approval). 	<ul style="list-style-type: none"> ACC and NHS Grampian - annual accounts. Internal Audit’s –Annual report and Statement on the internal control system – ACC, NHS Grampian and IJB. IJB local code of corporate governance (subject to approval).



Audit and Performance Systems Committee

Requirement	Statement	Evidenced By
Address the authority's arrangements for financial and internal control and for managing risk in annual governance reports.	The IJB: <ul style="list-style-type: none"> has addressed these arrangements in the annual governance report and will continue to do so. 	<ul style="list-style-type: none"> The IJB accounts (annual governance statement).
Publish annual accounts on a timely basis to communicate the authority's activities and achievements, its financial position and performance.	The IJB: <ul style="list-style-type: none"> published its financial accounts on its website. provided members of the public the opportunity to inspect the accounts of the organisation in line with statutory process. 	<ul style="list-style-type: none"> Aberdeen City Health & Social Care Partnership website. Annual Accounts documents. Development Work: <ul style="list-style-type: none"> The management commentary of the accounts will provide details on performance.
Ensure an effective internal audit function is resourced and maintained.	The IJB: <ul style="list-style-type: none"> has appointed an internal auditor. The APS Committee <ul style="list-style-type: none"> has received the internal audit annual plan at the APS Committee. has reviewed internal audit reports. 	<ul style="list-style-type: none"> Audit & Performance System agendas and minutes. IJB agenda and minutes.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced By
Develop and maintain an effective audit committee.	The IJB: <ul style="list-style-type: none"> has established an audit committee. 	<ul style="list-style-type: none"> Audit & Performance System agendas and minutes. Audit & Performance Systems terms of reference. Development Work: <ul style="list-style-type: none"> Need to establish a framework to review effectiveness.
Ensure that the authority makes best use of resources and that taxpayers and/or service users receive value for money.	The NHS Grampian and ACC: <ul style="list-style-type: none"> financial standing orders and procurement regulations which the IJB uses, which allows best value to be demonstrated. 	<ul style="list-style-type: none"> ACC Procurement regulations. ACC financial regulations. ACC delegated powers. NHSG schedule of reserved decisions. NHSG standing financial instructions.
Embed financial consequences in person specifications and appraisals.	The NHS Grampian, ACC and IJB: <ul style="list-style-type: none"> included financial responsibilities in job specifications where appropriate. 	<ul style="list-style-type: none"> Job Descriptions Development Work: Review ACC/NHSGs' appraisal frameworks to determine whether finance is covered a separate topic.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced By
Assess the financial skills required by managers and commit to develop those skills to enable their roles to be carried out effectively.	The IJB: <ul style="list-style-type: none">Is currently relying on the financial skills, regulations and budget management training provided by ACC and NHS Grampian.	<ul style="list-style-type: none">ACC and NHS Grampian training records. Development Work: <ul style="list-style-type: none">Once the localities are established and the structure becomes clearer a comprehensive financial training programme will be developed and delivered for those managers with budget responsibility.
Ensure that councillors' roles and responsibilities for monitoring performance/budget management are clear, that they have adequate access to financial skills, and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities.	The IJB: <ul style="list-style-type: none">had three financial workshops to discuss the budget.has a development plan.has an induction date for new councillors.	<ul style="list-style-type: none">Slides and invitations for budget workshops.IJB development plan.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced By
Ensure ongoing monitoring of assurance arrangements in respect of partnerships and alternative delivery models and that appropriate access to information is maintained.	<p>ACC:</p> <ul style="list-style-type: none">has implemented a governance hub which seeks to review the arrangements of alternative delivery models such as Bon Accord Care. <p>The IJB:</p> <ul style="list-style-type: none">has received the minutes of these meetings for information previously.	<ul style="list-style-type: none">Governance Hub agendas and minutes.IJB agendas and minutes.



Audit and Performance Systems Committee

Principle 4

The CFO in a local authority must lead and direct a finance function that is resources to be fit for purpose.

Requirement	Statement	Evidenced By
Provide the finance function with the resources, expertise and systems necessary to perform its role effectively.	<p>The IJB:</p> <ul style="list-style-type: none"> has established the role of CFO <p>ACC and NHS Grampian:</p> <ul style="list-style-type: none"> provide the finance functions for the IJB. 	<ul style="list-style-type: none"> IJB Executive Management Structure. NHS Grampian and ACC Finance Structures. <p>Development Work:</p> <p>A review will be undertaken to establish if these arrangements are effective.</p>
Ensure there is a line of professional accountability to the CFO for finance staff throughout the authority.	<p>The IJB:</p> <ul style="list-style-type: none"> has established the role of CFO <p>AC and NHS Grampian:</p> <ul style="list-style-type: none"> provide the finance functions for the IJB 	<ul style="list-style-type: none"> IJB Executive Management Structure. NHS Grampian and ACC Finance Structures. <p>Development Work: when the review of effectiveness is undertaken consideration will also be given to professional accountability.</p>



Audit and Performance Systems Committee

Principle 5

The CFO in a local authority must be professionally qualified and suitably experienced.

Requirement	Statement	Evidenced by:
<p>Appoint a professionally qualified CFO whose core responsibilities include those set out under the other principles in the statement and ensure that these are properly understood throughout the authority.</p>	<p>The IJB</p> <ul style="list-style-type: none"> • has employed a professional accountant as CFO. • the CFO's job description sets out the core responsibilities which are similar to those outlines in the statement. 	<ul style="list-style-type: none"> • CFO's professional certificates. • CFO's job description.
<p>Ensure that the CFO has the skills, knowledge, experience and resource to perform effectively in both the financial and non-financial areas of their role.</p>	<p>The IJB:</p> <ul style="list-style-type: none"> • undertook a comprehensive recruitment process to employ the CFO to make sure that the CFO has the necessary skills and experience. 	<ul style="list-style-type: none"> • CFO recruitment process. • CFO annual appraisal.



Audit and Performance Systems Committee

Requirement	Statement	Evidenced by:
	<p>The IJB Chief Officer</p> <ul style="list-style-type: none">performs the annual appraisal of the CFO which includes a section on future training requirements. <p>The IJB CFO</p> <ul style="list-style-type: none">considers that sufficient resource is available to perform role effectively.	