



## ***West Lothian Integration Joint Board Audit Risk and Governance Committee***

West Lothian Civic Centre  
Howden South Road  
LIVINGSTON  
EH54 6FF

18 January 2018

A meeting of **West Lothian Integration Joint Board Audit Risk and Governance Committee** will be held within **Conference Room 3, West Lothian Civic Centre, Howden South Road, Livingston, EH54 6FF** on **Wed 24 January 2018 at 2:00 p.m.**

For Chief Executive

### **BUSINESS**

#### **Public Session**

1. Apologies for Absence
2. Declarations of Interest - Members should declare any financial and non-financial interests they have in the items of business for consideration at the meeting, identifying the relevant agenda item and the nature of their interest.
3. Order of Business, including notice of urgent business and declarations of interest in any urgent business
4. Confirm Draft Minute of Meeting of West Lothian Integration Joint Board Audit Risk and Governance Committee held on Wednesday 11 October 2017 (herewith)
5. Internal Audit of Workforce Planning - Report by Internal Auditor (herewith)
6. Internal Audit of Financial Planning - Report by Internal Auditor (herewith)
7. Local Code of Corporate Governance - Report by Standards Officer (herewith)
8. Workplan (herewith)

DATA LABEL: Public

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NOTE     **For further information please contact Elaine Dow on 01506 281594  
or email [elaine.dow@westlothian.gov.uk](mailto:elaine.dow@westlothian.gov.uk)**

MINUTE of MEETING of WEST LOTHIAN INTEGRATION JOINT BOARD AUDIT RISK AND GOVERNANCE COMMITTEE held within CONFERENCE ROOM 3, WEST LOTHIAN CIVIC CENTRE, HOWDEN SOUTH ROAD, LIVINGSTON, EH54 6FF, on 11 OCTOBER 2017.

Present

Voting Members - Damian Timson (Chair), George Paul and Lynsay Williams (by conference call)

Non-Voting Members – Jane Houston

Apologies – Martin Murray (Non-Voting Member)

In attendance – Jim Forrest (Director), Pamela Main (Senior Manager, Assessment and Prevention), James Millar (Standards Officer), Kenneth Ribbons (Internal Auditor, WL IJB) and Patrick Welsh (Chief Finance Officer, WL IJB).

Apologies – Jane Kellock (Head of Social Work) and Alan Bell (Senior Manager, Community Health and Care Partnership)

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The committee approved the minute of the meeting held on 28 June 2017 as being a correct record. The Chair thereafter signed the minute.

3. RISK MANAGEMENT

The committee considered a report (copies of which had been circulated) by the Director providing details of the IJB risk register.

The report explained that in accordance with the Risk Management Strategy approved by the West Lothian Integration Joint Board on 14 March 2017, the Audit, Risk and Governance Committee was required to review the risk register at least twice per annum. Appendix 1 to the report listed each IJB risk with scores which were arrived at by multiplying the estimated likelihood of the risk by its estimated impact. Risks were assessed on the basis of a five by five grid and therefore the highest possible score was 25 and the lowest 1.

Appendix 2 to the report summarised progress in relation to the risk actions. The standard risk assessment methodology was attached as appendix 3 to the report.

The Director then responded to questions from members of the committee providing an update on the risks showing less than 50 percent progress

towards the desired outcome. The committee agreed that there was a need for a review of the dates assigned to the various action points. The Internal Audit Manager undertook to participate in this exercise. It was agreed that future reports would set out original target dates together with revised dates, where applicable.

It was recommended that the committee considers the risks identified, the control measures in place, and the risk actions in progress to mitigate their impact.

#### Decision

1. To note the contents of the report; and
2. To note that future reports would set out original target dates together with revised dates, where applicable.

#### 4. INTERNAL AUDIT OF PERFORMANCE MANAGEMENT

The committee considered a report (copies of which had been circulated) by the Internal Auditor providing details of the internal audit work on performance management undertaken by the NHS Lothian internal audit service.

The report explained that the NHS Lothian internal audit service agreed to set aside part of its resource to conduct internal audit work on behalf of the four Lothian Integration Joint Boards (IJB's). Accordingly, West Lothian IJB commissioned an audit of performance management. The resultant audit report was attached as an appendix to the report which included details of the agreed management actions.

The report was agreed for factual accuracy with the management of West Lothian IJB.

It was recommended that the committee considers the internal audit report and its findings and notes that in the areas reviewed no major weaknesses in controls were identified.

#### Decision

To note the internal audit report and its findings and to note that in the areas reviewed, no major weaknesses in controls were identified.

#### 5. NHS WORKFORCE PLANNING - AUDIT SCOTLAND REPORT

The committee considered a report (copies of which had been circulated) by the Director providing an update on a report by Audit Scotland on NHS Workforce Planning. The NHS Workforce Planning: the clinical workforce in secondary care, a report by Audit Scotland, July 2017, was attached at appendix 1 to the report which contained details of their findings and recommendations.

The report, which was the first of a two-part audit, set out Audit Scotland's key findings on the pressure faced by the NHS workforce, current workforce planning and the future of the NHS workforce. Audit Scotland made a number of recommendations to both the Scottish Government and NHS boards in relation to their findings.

The report highlighted the key issues identified by Audit Scotland and the recommendations for NHS Boards. The majority of the recommendations were directed to the Scottish Government but there were also several for NHS boards to be aware of.

There were significant challenges facing the health and social care workforce in both hospitals and in the community. With the introduction of integration authorities, effective workforce planning would become increasingly important to ensure support could adequately meet the growing and changing demand.

A second report in 2018/19 would more closely examine the community based NHS workforce including those who were employed by general practices.

It was recommended that the committee:

1. Notes the key issues raised by Audit Scotland in relation to NHS workforce planning; and
2. Notes the recommendation to NHS boards from Audit Scotland.

### Decision

To note the contents of the report.

## 6. AUDIT OF THE 2016/17 ANNUAL ACCOUNTS

The committee considered a report (copies of which had been circulated) by the Chief Finance Officer providing details of the outcome of the 2016/17 Audit which included the Auditor's Annual Report. The views were also sought from the committee on whether any changes should be made to the committee's role in the annual accounts process for future years.

The report by Ernst and Young (EY) on the 2016/17 audit formed part of the audit process and covered the financial statement, financial management and sustainability, governance and transparency and Best Value. Details of the key messages in the EY report were outlined within the report by the Chief Finance Officer. The following points were also highlighted:

- Accounting and Audit Matters – Financial Statements;
- Wider Scope Audit Dimensions; and

- Annual Audit Report Action Plan.

The report also outlined the annual accounts process. A report on the annual accounts arrangements and role of the Board and the Audit Risk and Governance Committee was approved by the Board each year. Based on discussions at the Board meeting of 26 September 2017 on the Committee reviewing the Annual Audit report and audited accounts prior to them being reported to the Board, the Committee was asked to consider if they would seek current annual accounts reporting arrangements to be changed to reflect this. It was noted that this would require agreement from the Board and possibly a change to the remit of the Audit, Risk and Governance Committee and the Board's Standing Orders.

It was recommended that the committee:

- Considers the Auditor's 2016/17 Annual Audit Report including the completed management action plan;
- Notes the audited 2016/17 Annual Accounts for the West Lothian Integration Joint Board; and
- Considers if it would seek a change to the role of the committee in terms of the annual accounts reporting arrangements for 2017/18 and future years.

#### Decision

1. To note the Auditor's 2016/17 Annual Audit Report, including the completed management action plan, and the audited 2016/17 Annual Accounts for the West Lothian Integration Joint Board; and
2. To recommend to the West Lothian Integration Joint Board that reporting arrangements be changed for future years to allow scrutiny of the Annual Accounts by the Audit, Risk and Governance Committee prior to submission to the Board for signature.

#### 7. AUDIT SCOTLAND SELF-DIRECTED SUPPORT 2017 PROGRESS REPORT

The committee considered a report (copies of which had been circulated) by the Director providing details of the findings of the Audit Scotland Self-directed Support 2017 progress report. A summary of West Lothian's progress in implementing Self-directed Support using the Audit Scotland Checklist was also provided. A Self-directed Support: Checklist for board members providing details of the local progress in implementing SDS was attached as an appendix to the report.

The report explained that the ten year national Self-directed Support Strategy 2010-20 was introduced jointly by the Scottish Government and COSLA with the aim of empowering people to have more say in the decisions that affected them both as individual recipients of social care

services and support and as members of their communities. The 2013 Social Care (Self-directed Support) (Scotland) Act 2013, which came into effect on 1 April 2014, was part of that strategic approach.

In 2014 Audit Scotland reported on councils' early progress in implementing the national strategy and their readiness for the 2013 Act. Audit Scotland found that councils still had a lot of work to do to make the cultural and practical changes needed for the successful implementation of Self-directed Support (SDS) and made a series of recommendations to assist this process. Audit Scotland recognised that implementing the strategy required authorities to work in partnership with other people and organisations to transform the way they provided social care to enable people to have greater choice and control.

The report summarised the key findings and recommendations from the audit. The findings of the Audit Scotland report reflected the challenges that councils have faced in making the significant changes required for the implementation of SDS as the mechanism for the delivery of social care and support in Scotland. Many of the issues that were identified locally as areas for further development and improvement were highlighted and the factors that impacted on delivering these. However, West Lothian has made effective progress in all the areas of SDS implementation considered by the report and in planning the future work that was required to complete the full implementation of the SDS strategy.

It was recommended that the committee notes the key findings and recommendations of the Audit Scotland Self-directed Support 2017 progress report and notes West Lothian's progress in implementing Self-directed Support summarised in the Audit Scotland Checklist.

### Decision

To note the contents of the report.

## 8. LOCAL CODE OF CORPORATE GOVERNANCE

The committee considered a report (copies of which had been circulated) by the Standards Officer providing an update on the arrangements for a Local Code of Corporate Governance for the Integration Joint Board.

The report advised that legislation under which the Board was established brought it into the financial and accounting regime which applied to local authorities. The Board therefore had to observe relevant proper accounting practices, which included requirements of statute, guidance, custom and generally accepted good practice and covered internal audit and governance arrangements as well as financial accounting.

The report provided details of the framework and guidance relevant to the Board's corporate governance arrangements. There was a hierarchy in the Framework built around seven over-arching principles of good governance. The Framework set out seven principles as the top layer in the hierarchy details of which were summarised within the report.

Finally, the Framework would be used to develop a Local Code of Corporate Governance based on seven over-arching principles which were outlined within the report. It would not adopt every single element beneath those, as some would be relevant for a council but would not be appropriate for an organisation such as the Board. It would not use the exact wording of the relevant elements and principles since the language and terminology used would have to reflect the Board's constitution and practices. The aim would be to write a Code which was usable, understandable, effective but proportionate to the Board and its operations.

It was suggested that a report be brought to the next committee meeting providing more detailed recommendations, including a draft Code for consideration and the proposed procedure for its use.

It was recommended that the committee:

1. Notes the legislation and guidance relevant to the Board's corporate governance arrangements; and
2. Agrees that a Local Code of Corporate Governance was drafted for consideration by the committee, along with a process for ensuring the Code was used effectively and proportionately.

#### Decision

To note the contents of the report and agree that a Local Code of Corporate Governance be drafted for consideration by the committee, along with a process for ensuring the Code was used effectively and proportionately.

### 9. WORKPLAN

The committee noted the contents of the workplan (copies of which had been circulated).

The workplan was agreed subject to including the following items to be considered at the meeting scheduled to be held on 28 March 2018:

1. Internal Audit Plan 2018/19 – K. Ribbons; and
2. External Audit Plan 2018/19 – K. Ribbons.

#### Decision

To agree the workplan subject to including the items highlighted above.



## **West Lothian Integration Joint Board Audit Risk and Governance Committee**

Date: 24 January 2018

Agenda Item: 5.

### **INTERNAL AUDIT OF WORKFORCE PLANNING**

#### **REPORT BY INTERNAL AUDITOR**

##### **A PURPOSE OF REPORT**

To inform the Committee of our internal audit of workforce planning.

##### **B RECOMMENDATION**

It is recommended that the Committee considers the internal audit report and its findings, and notes that control is considered to require improvement.

##### **C TERMS OF REPORT**

In accordance with the internal audit plan for 2017/18, we have undertaken an audit of IJB workforce planning. The objectives of the audit were to determine whether controls are in place within the IJB to monitor workforce planning arrangements within NHS Lothian and West Lothian Council. The resultant audit report is appended, and agreed management action is included as an action plan within the audit report.

##### **D CONSULTATION**

Council and NHS officers as part of the internal audit process.

##### **E REFERENCES/BACKGROUND**

Report to West Lothian Integration Joint Board Audit Risk and Governance Committee 31 March 2017: Internal Audit Plan 2017/18.

##### **F APPENDICES**

Internal audit report dated 15 January 2018: IJB Workforce Planning

##### **G SUMMARY OF IMPLICATIONS**

###### **Equality/Health**

The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted.

|  |   |
|--|---|
| <b>National health and Well-Being Outcomes</b> | Indirectly via the audit of key processes to determine their effectiveness. |
| <b>Strategic Plan outcomes</b>                 | Indirectly via the audit of key processes to determine their effectiveness. |
| <b>Single Outcome Agreement</b>                | Indirectly via the audit of key processes to determine their effectiveness. |
| <b>Impact on other Lothian IJBs</b>            | None.   |
| <b>Resource/Finance</b>                        | None.   |
| <b>Policy/Legal</b>                            | None.   |
| <b>Risk</b>                                    | The audit links directly to risk IJB008 "Workforce Management".             |

## **H CONTACT**

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[Kenneth.ribbons@westlothian.gov.uk](mailto:Kenneth.ribbons@westlothian.gov.uk)

24 January 2018

EX1704

# **INTERNAL AUDIT REPORT**

## **INTEGRATION JOINT BOARD**

### **IJB WORKFORCE PLANNING**

15 January 2018

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## **1.0 EXECUTIVE SUMMARY**

- 1.1 In accordance with the annual audit plan for 2017/18, we have undertaken a review of IJB Workforce Planning and conclude that the level of control **requires improvement**.
- 1.2 The audit remit is set out in section two.
- 1.3 The IJB has a responsibility to ensure that the services provided under directions issued to NHS Lothian (NHSL) and West Lothian Council (WLC) can be accommodated. Under this arrangement the West Lothian IJB presently holds responsibility for high level planning in relation to 2,486 fte personnel, of which 1,247 are NHS employees and 1,239 WLC. In achieving satisfactory integration, the IJB needs to ensure an adequately resourced and trained workforce, and effective workforce planning by the IJB is crucial to achieving this.
- 1.4 The following key controls were found to be in place:
- The IJB has established a West Lothian Organisational and Workforce Development Board (WLOWDB). The WLOWDB reports directly to the IJB, with membership drawn from both NHSL and WLC. The Lead Officer is Marion Barton, Head of Health.
- 1.5 The following three findings ranked as 'High' importance were found:
- slippage in finalisation of the IJB Workforce Plan, which will not now be presented to the Strategic Planning Group (SPG) until January 2018 (ref: 3.1);
  - we are unaware of any plans to submit the NHSL and WLSP workforce plans to the IJB, and there is no evidence of adequate challenge of the IJB Workforce Plan by the IJB (ref: 3.2);
  - The action plan in the draft IJB Workforce Plan remains in development and is lacking in detail (ref 3.3).
- 1.6 The action plan in section three details our findings, grades their importance (Appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.7 We appreciate the assistance of NHSL and WLC staff during the conduct of our audit. Should you require any further assistance please contact Colin Carmichael.

**Kenneth Ribbons**  
**Internal Auditor**

## **2.0 REMIT**

- 2.1 The audit objectives were to determine whether controls are in place within the IJB to monitor workforce planning arrangements within NHS Lothian and West Lothian Council.
- 2.2 Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.3 We agreed the draft report for factual accuracy with Marion Barton, Head of Health on 3 January 2017.
- 2.4 The IJB Director is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.5 We carry out follow-up reviews on a risk based approach. The IJB Internal Auditor will determine the need for a follow-up review of this report.
- 2.6 In accordance with the IJB's risk management arrangements, findings graded of "high" or "medium" importance are recorded in Pentana (formerly Covalent) as risk actions and linked to the corresponding risks.
- 2.7 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the Audit, Risk and Governance Committee and considered for inclusion in the Annual Governance Statement.

### 3.0 ACTION PLAN

| Ref | Findings & Risk   | Agreed Action   | Importance Level           |
|-----|---|---|----------------------------|
| 3.1 | <p><b><u>Consideration by SPG of IJB Workforce Plan</u></b></p> <p>A 'West Lothian Organisational and Workforce Development Board' has been established with terms of reference which includes, among other things, a remit to draft the IJB Workforce Plan and ensure that this addresses current risk factors.</p> <p>The 2017-2020 IJB Workforce Plan has not yet been presented to the SPG for consideration. This was due to have been presented in November 2017, but the meeting was cancelled, and the next is in January 2018.</p> <p><b><u>Risk</u></b></p> <p>Ineffective workforce planning arrangements.</p> | <p>The original schedule for the IJB Workforce Plan pre-dated the commitment of the Scottish Government to produce a National Health and Social Care Workforce Plan. Part 1 of this plan related to the hospital based workforce was published on 28 June 2017. Part 2 related to the social care workforce and was published on 15 December 2017. Part 3 of the plan, to follow the conclusion of General Medical Services contract negotiations, will set out proposals on primary care and was originally scheduled for publication by the end of 2017; this is now expected early in 2018.</p> <p>The national workforce plan along with the workforce plans of both NHS Lothian and West Lothian Council form key reference documents for the IJB Workforce Plan. Given the significance in particular of the national workforce plan it would be inappropriate to finalise the IJB Workforce Plan in advance of this. Accordingly the key action related to this finding is that a revised schedule for the production of the IJB Workforce Plan should be presented to the IJB for consideration at its meeting of 23 January 2018. This revised schedule will include reporting of the various elements of the national workforce plan and the engagement activity around the draft IJB Workforce Plan, including consideration by the SPG.</p> | High                       |
|     |   |   | <b>Responsible Officer</b> |
|     |   |   | Marion Barton              |
|     |   |   | <b>Risk Identifier</b>     |
|     |   |   | Risk Ref: IJB008           |
|     |   |   | <b>Action Date</b>         |
|     |   |   | 23 January 2017            |

| Ref | Findings & Risk  | Agreed Action   | Importance Level           |
|-----|--|---|----------------------------|
| 3.2 | <p><b><u>Adequacy of Challenge by IJB</u></b></p> <p>The challenges identified in the NHSL, WLCSP and IJB Workforce Plans are significant, with issues of recruitment, retention and an ageing workforce against a backdrop of financial pressures. Consideration has been given to these issues in the workforce plans. However, <i>all three workforce plans as provided for audit purposes remain in draft.</i></p> <p>We would expect the WLOWDB to review the NHSL and WLCSP workforce plans as an integral part of their IJB workforce plan preparation.</p> <p>In the absence of presentation of the IJB Workforce Plan to the IJB, there is no evidence of meaningful review or challenge by the IJB as an entity. In a time of identified continuing financial and demographic pressure we would consider this important in ensuring the adequacy of the workforce to meet the integration aspirations of the WL IJB.</p> <p><b><u>Risk</u></b></p> <p>Ineffective workforce planning arrangements.</p> | <p>West Lothian Council and NHS Lothian are required to formulate their own Workforce Plans in accordance with national guidance and for these to be approved by NHS Lothian and West Lothian Council. The timescale for final approval of these workforce plans is not within the authority of the IJB or its officers and therefore the draft plans have been utilised.</p> <p>The Integration Authority is expected to take cognisance of the NHS Lothian and West Lothian Council workforce plans as key reference documents along with the National Workforce Plan and associated guidance in the development of the IJB workforce plan.</p> <p>Preparation of the IJB Workforce Plan is an iterative process, and each iteration will be presented to both the SPG and the IJB. The revised schedule for the production of the IJB workforce plan will include a date by which it is anticipated a final plan will be submitted to the IJB. Meantime, initial drafts and the revised schedule will be presented in line with the action date noted.</p> | High                       |
|     |  |   | <b>Responsible Officer</b> |
|     |  |   | Marion Barton              |
|     |  |   | <b>Risk Identifier</b>     |
|     |  |   | Risk Ref: IJB008           |
|     |  |   | <b>Action Date</b>         |
|     |  |   | 23 January 2017            |



| Ref | Findings & Risk  | Agreed Action  | Importance Level           |
|-----|--|--|----------------------------|
| 3.3 | <p><b><u>Action Timescales and Responsibility</u></b></p> <p>Appendix 2 of the draft IJB Workforce Plan contains an action plan. However, the action plan is noted as 'in development' so can best be described as 'headline' and lacking in detail. It does not include target completion dates or details of the individuals responsible for each action and, notwithstanding it is a 2017-2020 workforce plan, at best it will not be in final form until 2018.</p> <p><b><u>Risk</u></b></p> <p>Ineffective workforce planning arrangements.</p> | The IJB Workforce Plan will include an 'action plan' with detailed SMART based activities. As indicated in 3.1 the finalisation of the IJB Workforce Plan has a dependency on the final part of the national workforce plan which has yet to be published. | High                       |
|     |  |  | <b>Responsible Officer</b> |
|     |  |  | Marion Barton              |
|     |  |  | <b>Risk Identifier</b>     |
|     |  |  | Risk Ref: IJB008           |
|     |  |  | <b>Action Date</b>         |
|     |  |  | n/a                        |

## **DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION**

### **AUDIT IMPORTANCE LEVELS**

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

These reflect the importance of audit findings to an effective system of internal control and must be considered in the context of the business processes being audited (Section 2 – Audit Remit).

### **AUDIT OPINION**

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

| <b>Overall Opinion</b>      | <b>Definition</b>  |
|-----------------------------|--|
| <b>EFFECTIVE</b>            | No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.  |
| <b>SATISFACTORY</b>         | No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.   |
| <b>REQUIRES IMPROVEMENT</b> | A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.  |
| <b>UNSOUND</b>              | A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance. |

## **West Lothian Integration Joint Board Audit Risk and Governance Committee**

Date: 24 January 2018

Agenda Item: 6.

### **INTERNAL AUDIT OF FINANCIAL PLANNING**

#### **REPORT BY INTERNAL AUDITOR**

##### **A PURPOSE OF REPORT**

To inform the Committee of our internal audit of financial planning.

##### **B RECOMMENDATION**

It is recommended that the Committee considers the internal audit report and its findings, and notes that control is considered to be effective.

##### **C TERMS OF REPORT**

In accordance with the internal audit plan for 2017/18, we have undertaken an audit of IJB financial planning. The objective of the audit was to review the processes in place within the IJB for ensuring that robust arrangements are in place for medium term financial planning. We also followed up our previous 2016/17 report on financial planning. The resultant audit report is appended, and agreed management action is included as an action plan within the audit report.

##### **D CONSULTATION**

IJB Chief Finance Officer as part of the audit process.

##### **E REFERENCES/BACKGROUND**

Report to West Lothian Integration Joint Board Audit Risk and Governance Committee 31 March 2017: Internal Audit Plan 2017/18.

##### **F APPENDICES**

Internal audit report dated 5 January 2018: IJB Financial Planning

##### **G SUMMARY OF IMPLICATIONS**

###### **Equality/Health**

The report has been assessed as having little or no relevance with regard to equality or the Public Sector Equality Duty. As a result, equality impact assessment has not been conducted.

|  |   |
|--|---|
| <b>National health and Well-Being Outcomes</b> | Indirectly via the audit of key processes to determine their effectiveness. |
| <b>Strategic Plan outcomes</b>                 | Indirectly via the audit of key processes to determine their effectiveness. |
| <b>Single Outcome Agreement</b>                | Indirectly via the audit of key processes to determine their effectiveness. |
| <b>Impact on other Lothian IJBs</b>            | None.   |
| <b>Resource/Finance</b>                        | None.   |
| <b>Policy/Legal</b>                            | None.   |
| <b>Risk</b>                                    | The audit links directly to risk IJB005 “Inadequate Funding”.               |

## **H CONTACT**

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24 January 2018



EX1705

# **INTERNAL AUDIT REPORT**

## **INTEGRATION JOINT BOARD**

### **IJB FINANCIAL PLANNING**

5 January 2018



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## 1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the annual audit plan for 2017/18, we have undertaken a review of IJB financial planning and conclude that the level of control is **effective**.
- 1.2 The audit remit is set out in section two.
- 1.3 The Public Bodies (Joint Working) Scotland Act 2014, and associated Regulations, requires local authorities and health boards to set up an integration authority (an Integration Joint Board) to provide better connected and co-ordinated services through the integration of health and social care services provided by local authorities and health boards. To achieve this, adult and elderly care functions and resources require to be delegated to IJBs and directions are then issued back to the local authorities and health boards to determine how the resources should be used. The West Lothian IJB was formally constituted on 21 September 2015, and is now in its second full year of operation.
- 1.4 For the IJB to effectively plan the future delivery of health and social care services there is a requirement to undertake medium term financial planning to ensure the strategic plan can be aligned to the financial resources. The 2017/18 Scottish Budget also required NHS Boards to undertake three year financial planning, and the council has established processes in place for medium term financial planning.
- 1.5 The following key controls were found to be in place in relation to medium term financial planning arrangements for the IJB:
- an agreed approach is in place for medium term financial planning, which has been approved by the IJB. The finance update papers to the Board include progress reports on the medium term financial planning activities being undertaken by the IJB, West Lothian Council and the NHS Lothian;
  - the council has a Transformational Change Team to manage and progress medium terms financial savings for social care services and a Financial Programme Board has been set up to identify and progress medium term financial savings for health services. The IJB Chief Finance Officer is involved in both groups;
  - a development session with IJB members and senior IJB officers (council and NHS Lothian) took place on 30 November 2017. A key focus of this session was on medium term financial planning;
  - the development session was based around papers prepared by the IJB Chief Finance Officer which included a summary of the overall economic position, the implications of the overall Scottish budget, a draft indicative IJB financial plan for 2018/19 to 2022/23, key points for the financial plan, key risks and uncertainties, approach to the identification of savings and future strategic planning and commissioning.
- 1.6 The output from the development session will be reported to the IJB meeting on 23 January 2018. This will be used to inform a further development session in February 2018, which will result in a first draft medium term financial plan being prepared by April 2018.

- 1.7 A follow up of the 2016/17 audit work on financial assurance confirmed that action has been taken to address all of the audit findings:
- as noted in 1.5, arrangements are in place to progress and report on medium term financial planning;
  - financial update reports are now presented to every IJB meeting and provide an update on the most up to date financial position at the time of reporting;
  - financial risks and uncertainties are included as part of the financial update reports, and an appendix includes all areas of risk in relation to budget pressures with a narrative on the impact and action required to address the risks.
  - financial assurance has to date been reported on annually with the next report on the 2018/19 financial assurance process due to be reported in March 2018.
- 1.8 None of our findings have been ranked as 'High' importance.
- 1.9 The action plan in section three details our findings, grades their importance (Appendix A) and includes agreed actions. The implementation of agreed actions will help improve control.
- 1.10 We appreciate the assistance of IJB staff during the conduct of our audit. Should you require any further assistance please contact Sharon Leitch.

**Kenneth Ribbons**  
**Internal Auditor**



## **2.0 REMIT**

- 2.1 The objective of the audit was to review the processes in place within the IJB for ensuring that robust arrangements are in place for medium term financial planning.
- 2.2 A follow up of the 2016/17 audit work on financial planning was also undertaken.
- 2.3 Our review concentrated on the key controls and our testing was undertaken on a sample basis. Therefore, the weaknesses we have identified are not necessarily all those which exist.
- 2.4 We agreed the draft report for factual accuracy with Patrick Welsh, IJB Chief Finance Officer on 4 January 2018.
- 2.5 The IJB Chief Officer is responsible for both the implementation of agreed actions and the risk arising from not acting on any agreed actions in this report.
- 2.6 We carry out follow-up reviews on a risk based approach. The IJB Internal Auditor will determine the need for a follow-up review of this report.
- 2.7 In accordance with the IJB's risk management arrangements internal audit findings graded as 'high' or 'medium' importance will be entered into Pentana (formerly Covalent) as risk actions and linked to the corresponding risks.
- 2.8 Audit findings ranked as being of 'high' importance that are not implemented will be reported to the IJB Audit, Risk and Governance Committee and considered for inclusion in the Annual Governance Statement.

### 3.0 ACTION PLAN

| Ref | Findings & Risk   | Agreed Action  | Importance Level           |
|-----|---|--|----------------------------|
| 3.1 | <p><b><u>Financial Assurance and Reporting on Budget Savings</u></b></p> <p>Financial assurance is reported to the IJB annually with the next report due in March 2018, in respect of financial assurance process for 2018/19.</p> <p>From a review of the financial assurance reports to date it is noted that there is scope for more detailed information on the plans for budget savings to be presented to the Board, in line with the Scottish Government Guidance.</p> <p><b><u>Risk</u></b><br/> <i>Insufficient information provided to ensure that there is an effective understanding of, and therefore management of, the financial position.</i></p> | Further information on medium terms changes and savings will be provided to the Board and updates on progress towards delivery will be reported to the Board on a quarterly basis. | Medium                     |
|     |   |  | <b>Responsible Officer</b> |
|     |   |  | Patrick Welsh              |
|     |   |  | <b>Risk Identifier</b>     |
|     |   |  | Risk Ref: IJB005           |
|     |   |  | <b>Action Date</b>         |
|     |   |  | Ongoing                    |

## DEFINITIONS OF AUDIT FINDINGS & AUDIT OPINION

### AUDIT IMPORTANCE LEVELS

Importance levels of '**High**', '**Medium**' or '**Low**' are allocated to each audit finding within the action plan.

These reflect the importance of audit findings to an effective system of internal control and must be considered in the context of the business processes being audited (Section 2 – Audit Remit).

### AUDIT OPINION

Our overall opinion on the controls in place is based on the level of importance attached to the findings in our audit report. The overall audit opinions are as follows:

| Overall Opinion             | Definition   |
|-----------------------------|--|
| <b>EFFECTIVE</b>            | No findings ranked as 'High' importance. There may be a few 'Low' and 'Medium' ranked findings.  |
| <b>SATISFACTORY</b>         | No findings ranked as 'High' importance however there are a moderate number of 'Low' and 'Medium' ranked findings.   |
| <b>REQUIRES IMPROVEMENT</b> | A few findings ranked as 'High' importance. There may also be a number of findings ranked as 'Low' and 'Medium' importance.  |
| <b>UNSOUND</b>              | A considerable number of findings ranked as 'High' importance resulting in an unsound system of control. There may also be a number of findings ranked as 'Low' and 'Medium' importance. |



## **West Lothian Integration Joint Board Audit Risk & Governance Committee**

Date: 24 January 2018

Agenda Item: 7.

### **LOCAL CODE OF CORPORATE GOVERNANCE**

#### **REPORT BY STANDARDS OFFICER**

**A** To consider the draft Local Code of Corporate Governance in the appendix.

#### **B RECOMMENDATION**

It is recommended that the committee:-

1. Considers the proposed arrangements for the Board's Local Code of Corporate Governance
2. Notes that a report will be taken to the Board for approval and implementation of the Code when finalised

#### **C TERMS OF REPORT**

##### **1 Background**

- 1.1 The legislation under which the Board was established brings it into the financial and accounting regime that applies to local authorities. That means that the Board has to observe relevant proper accounting practices. Those include requirements of statute, guidance, custom and generally accepted good practice. They cover internal audit and governance arrangements as well as financial accounting. Examples of these include the internal audit service and the approval by the Board of an annual governance statement. In relation to corporate governance, the Board has to follow the "Delivering Good Governance in Local Government Framework (2016)" produced by CIPFA (Chartered Institute of Public Finance and Accountancy) and SOLACE (Society of Local Authority Chief Executives). It is supplemented by a set of "Guidance Notes for Scottish Authorities".
- 1.2 In the preamble to the Integration Scheme the council and the health board indicated that they would assist the Board in adopting and abiding by sets of rules and procedures designed to promote and ensure good governance arrangements. These were systems and procedures such as financial controls, decision-making procedures, standing orders, the risk register, internal audit service and codes of conduct. Many of those arrangements have already been made. However, one aspect of good practice which is not yet in place is the adoption of an over-arching Local Code of Corporate Governance.

- 1.3 On 6 January 2017 this committee considered an internal audit report of the Board's governance arrangements. One of the areas identified that required improvement was in relation to a Code of Corporate Governance. An improvement action was agreed with a deadline of 30 September 2017. On 11 October 2017 the committee considered a report explaining the guidance and framework that applied and setting out the information that would be required of such a Code. As agreed by the committee, this report provides an update for the committee's consideration.
- 1.4 It is recognised that "good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes". Corporate governance is not directly about performance, or service standards, service delivery, or policy-making - it is about the systems which make sure these things can be done, that they can be done well and that they can be done in an open, transparent and accountable way.
- 1.5 The Board itself is the governing body which carries ultimate responsibility for achieving good standards of corporate governance. It receives assurance in relation to that obligation through the activities of its committees and officers. It is recognised that both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

## **2 The framework and guidance**

- 2.1 The Framework defines the principles that should underpin the governance of an organisation. It provides a structure to help with an approach to governance. A local code has been drafted, based on the Framework and Guidance. That draft is in the appendix to this report. It is intended to be a tool for measuring and demonstrating the degree of the Board's compliance with the standards the Code sets out. It is to assist in reviewing existing governance arrangements, developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness, and reporting publicly on compliance and effectiveness of governance arrangements.
- 3.1 There is a hierarchy in the Framework built around seven over-arching principles of good governance. The seven principles are:-
- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
  - B. Ensuring openness and comprehensive stakeholder engagement
  - C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
  - D. Determining the interventions necessary to optimise the achievement of the intended outcomes
  - E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
  - F. Managing risks and performance through robust internal control and strong public financial management

- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

3.2 The draft Code is structured around those principles. Each section has a narrative description of the principle. Each is then broken down into its constituent elements, by reference to the words used in the principle itself. These are “sub-principles” and these are listed under (1), (2), etc. These are deconstructed further, by illustrations and descriptions of appropriate behaviour and practices. These are listed under (a), (b), etc. Finally, there is a non-exhaustive list of some suggested sources or types of possible evidence on which an assessment may be based.

#### **4 Next steps**

4.1 The draft Code will be finalised based on the committee’s suggestions and further feedback from officers. That will be reported to the Board for approval along with agreement for the process by which the Board’s compliance will be measured and then reported on. That process would involve an assessment being made by Board’s Senior Management Team, and then a report based on that assessment and any areas of concern and proposed actions. This committee will have its role to play in relation to the approval of the Annual Governance Statement and monitoring any agreed actions to address areas of concern. It will also keep the Code and its associated procedures under periodic review.

#### **D CONSULTATION**

None

#### **E REFERENCES/BACKGROUND**

- 1 Public Bodies (Joint Working) (Scotland) Act 2014, section 13
- 2 Local Government (Scotland) Act 1973, Part 7
- 3 Local Government in Scotland Act 2003, Part 1
- 4 Integration Scheme, pages 6 and 7
- 5 “Delivering Good Governance in Local Government - Framework (CIPFA/SOLACE, 2016)
- 6 “Delivering Good Governance in Local Government - Guidance Notes for Scottish Authorities (CIPFA/SOLACE, 2016)
- 7 West Lothian Integration Joint Board Audit, Risk & Governance Committee, 11 October 2017

#### **F APPENDICES**

Draft Local Code of Corporate Governance

## **G SUMMARY OF IMPLICATIONS**

|   |  |
|---|--|
| <b>Equality/Health</b>                        | The report has been assessed as having little or no direct relevance with regard to equality or the Public Sector Equality Duty. As a result, an equality impact assessment has not been conducted. The relevance assessment can be viewed as a background reference to this report. |
| <b>National Health and Wellbeing Outcomes</b> | There is no direct relevance to the Outcomes, but good governance leads ultimately to good outcomes  |
| <b>Strategic Plan Outcomes</b>                | There is no direct relevance to the Strategic Plan, but good governance leads ultimately to good outcomes  |
| <b>Single Outcome Agreement</b>               | There is no direct relevance to the Single Outcome Agreement, but good governance leads ultimately to good outcomes  |
| <b>Impact on other Lothian IJBs</b>           | No such impact is anticipated  |
| <b>Resource/Finance</b>                       | No implications  |
| <b>Policy/Legal</b>                           | See Section E  |
| <b>Risk</b>                                   | Non-compliance with legislation or good practice leading to reputational damage  |

## **H CONTACT**

James Millar, Standards Officer, West Lothian Council Governance Manager,  
[james.millar@westlothian.gov.uk](mailto:james.millar@westlothian.gov.uk), 01506 281613

24 January 2018



## APPENDIX 1

### A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

| <b>A1. Behaving with integrity</b>   |  |  |
|--|--|--|
| (a) Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation  |  |  |
| (b) Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) |  |  |
| (c) Leading by example and using the above standard operating principles or values as a framework for decision making and other actions  |  |  |
| (d) Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively  |  |  |
| <b>Evidence</b>  |  |  |
| Code of Conduct  |  |  |
| Register of Interests  |  |  |
| Role descriptions for members  |  |  |
| Declarations of Interest as standing item and recorded in minutes  |  |  |
| Standing Orders for meeting procedures, including conduct at meetings  |  |  |
| Meetings held in private only with legal justification and to least extent possible, and minutes record reasons  |  |  |
| Reports on standard template ensuring relevant information provided  |  |  |
| Engagement in community planning   |  |  |
| Values and mission statement adopted   |  |  |
| Anti-fraud and corruption policy and procedures  |  |  |
| Whistleblowing policy and procedures   |  |  |
| Strategic Plan outcomes  |  |  |
| Training on ethical standards and conduct  |  |  |
| Officer Codes of Conduct and declarations of interest  |  |  |
| Local Code of Corporate Governance   |  |  |

## APPENDIX 1

| <b>A1. Behaving with integrity</b> |  |  |
|------------------------------------|--|--|
| Audit, Risk & Governance Committee |  |  |
| Internal Audit Service (PSIAS)     |  |  |
| Annual Governance Statement        |  |  |
|                                    |  |  |

| <b>A2. Demonstrating strong commitment to ethical values</b>  |  |  |
|---|--|--|
| (a) Seeking to establish, monitor and maintain the organisation's ethical standards and performance   |  |  |
| (b) Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation  |  |  |
| (c) Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values   |  |  |
| (d) Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation |  |  |
| <b>Evidence</b>   |  |  |
| Code of Conduct   |  |  |
| Register of Interests   |  |  |
| Declarations of Interest as standing item and recorded in minutes   |  |  |
| Standing Orders for meeting procedures, including conduct at meetings   |  |  |
| Reports on standard template ensuring relevant information provided   |  |  |
| Values and mission statement adopted  |  |  |
| Anti-fraud and corruption policy and procedures   |  |  |
| Whistleblowing policy and procedures  |  |  |
| Strategic Plan outcomes   |  |  |
| Training on ethical standards and conduct   |  |  |
| Officer Codes of Conduct and declarations of interest   |  |  |
| Commissioning arrangement and Directions  |  |  |
| Ethical values feature in contracts with external service providers   |  |  |
| Officer performance appraisals include standards of conduct   |  |  |

## APPENDIX 1

| A2. Demonstrating strong commitment to ethical values |  |  |
|---|--|--|
|   |  |  |

| A3. Respecting the rule of law   |  |  |
|--|--|--|
| (a) Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations   |  |  |
| (b) Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements |  |  |
| (c) Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders  |  |  |
| (d) Dealing with breaches of legal and regulatory provisions effectively   |  |  |
| (e) Ensuring corruption and misuse of power are dealt with effectively   |  |  |
| <b>Evidence</b>  |  |  |
| Reports on standard template include legal rules and statutory guidance  |  |  |
| Reports ensure demonstration that legal advice has been considered   |  |  |
| Standing Orders to ensure professional advice is given   |  |  |
| Defined committee remits and powers  |  |  |
| Scheme of Delegation to Officers   |  |  |
| Members' role descriptions   |  |  |
| Finance Officer role identified and supported (CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016)  |  |  |
| Committee support provided free of influence   |  |  |
| Record maintained of legal advice provided by officers   |  |  |
| Standards Officer  |  |  |
| Independent Internal Audit function (PSIAS)  |  |  |
| Anti-fraud and corruption policy and procedures  |  |  |
| Internal Audit Service (PSIAS)   |  |  |
| Locality Groups  |  |  |
| Engagement/consultation strategy   |  |  |

## APPENDIX 1

| A3. Respecting the rule of law |  |  |
|--------------------------------|--|--|
|                                |  |  |

## APPENDIX 1

### B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

| <b>B1. Openness</b>  |  |  |
|--|--|--|
| (a) Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness  |  |  |
| (b) Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided                       |  |  |
| (c) Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear |  |  |
| (d) Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action   |  |  |
| <b>Evidence</b>  |  |  |
| Values and priorities  |  |  |
| FOISA/EIRS publication scheme  |  |  |
| Website  |  |  |
| Online service information   |  |  |
| Standing Orders  |  |  |
| Calendar of dates for submitting and publishing reports  |  |  |
| Assessment and review of information provided for decision-making  |  |  |
| Committee report templates   |  |  |
| Public engagement strategy   |  |  |
| Use of consultation feedback   |  |  |
| Record of professional advice in reaching decisions  |  |  |
| Record of decision making and supporting materials   |  |  |
| Meeting reports show details of advice given   |  |  |
| Equality impact assessment procedure   |  |  |
| Regular public performance reporting   |  |  |
| Annual performance report  |  |  |
| Complaints procedure   |  |  |

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| <b>B2. Engaging comprehensively with institutional stakeholders</b>  |  |  |
|--|--|--|
| (a) Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably |  |  |
| (b) Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively  |  |  |
| (c) Ensuring that partnerships are based on: trust, a shared commitment to change, a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit                  |  |  |
| <b>Evidence</b>  |  |  |
| Database of stakeholders with whom the IJB should engage   |  |  |
| Purpose and effectiveness reviewed   |  |  |
| Partnership guidance   |  |  |
| Review of effectiveness  |  |  |

| <b>B3. Engaging with individual citizens and service users effectively</b>  |  |  |
|---|--|--|
| (a) Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes |  |  |
| (b) Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement   |  |  |
| (c) Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs   |  |  |
| (d) Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account   |  |  |
| (e) Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity  |  |  |
| (f) Taking account of the impact of decisions on future generations of tax payers and service users   |  |  |
| <b>Evidence</b>   |  |  |
| Public engagement strategy  |  |  |

## APPENDIX 1

| B3. Engaging with individual citizens and service users effectively |  |  |
|---|--|--|
| Communications strategy   |  |  |
| Board and SPG membership  |  |  |
| Community planning  |  |  |
| Record of public consultations                                      |  |  |
| Use of consultation feedback  |  |  |
| Strategic needs assessment  |  |  |
| Locality Groups   |  |  |
| Strategic Plan  |  |  |
| Complaints procedure  |  |  |

## APPENDIX 1

### C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

| <b>C1. Defining outcomes</b>  |  |  |
|---|--|--|
| (a) Having a clear vision, which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions |  |  |
| (b) Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer  |  |  |
| (c) Delivering defined outcomes on a sustainable basis within the resources that will be available  |  |  |
| (d) Identifying and managing risks to the achievement of outcomes   |  |  |
| (e) Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available   |  |  |
| <b>Evidence</b>   |  |  |
| Goals, values and priorities  |  |  |
| Annual financial statement  |  |  |
| Directions to health board and council  |  |  |
| Performance recording, monitoring and reporting   |  |  |
| Strategic Plan  |  |  |
| Public engagement strategy  |  |  |
| Regular reporting on delivery of outcomes   |  |  |
| Annual report on delivery of outcomes   |  |  |
| Community Planning Partnership  |  |  |
| Risk Management strategy  |  |  |
| Risk management guidance and protocols  |  |  |
| Scrutiny of risk arrangements   |  |  |
| Audit Risk & Governance Committee   |  |  |
| Internal audit service (PSIAS)  |  |  |
| Best value duty   |  |  |



## APPENDIX 1

| <b>C2. Sustainable economic, social and environmental benefits</b>   |  |  |
|--|--|--|
| (a) Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision   |  |  |
| (b) Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints |  |  |
| (c) Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs                        |  |  |
| (d) Ensuring fair access to services   |  |  |
| <b>Evidence</b>  |  |  |
| Goals and values and priorities  |  |  |
| Financial strategy for mid to long term  |  |  |
| Strategic Plan   |  |  |
| Risk Management strategy   |  |  |
| Risk management guidance and protocols   |  |  |
| Scrutiny of risk arrangements  |  |  |
| Audit Risk & Governance Committee  |  |  |
| Use of consultation feedback   |  |  |
| Record of professional advice in reaching decisions  |  |  |
| Record of decision making and supporting materials   |  |  |
| Public sector Equality Duty reporting  |  |  |
| Equality impact assessment procedure   |  |  |
| Best value duty  |  |  |

## APPENDIX 1

### D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

| D1. Determining interventions   |  |  |
|---|--|--|
| (a) Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided   |  |  |
| (b) Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts |  |  |
| <b>Evidence</b>   |  |  |
| Standing Orders   |  |  |
| Calendar of dates for submitting and publishing reports   |  |  |
| Assessment and review of information provided for decision-making   |  |  |
| Report templates  |  |  |
| Public engagement strategy  |  |  |
| Use of consultation feedback  |  |  |
| Options appraisal   |  |  |
| Financial strategy (mid to (long-term)  |  |  |
| Record of professional advice in reaching decisions   |  |  |
| Record of decision making and supporting materials  |  |  |
| Meeting reports show details of advice given  |  |  |
| Equality impact assessment procedure  |  |  |

| D2. Planning interventions  |
|---|
| (a) Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets |

## APPENDIX 1

| D2. Planning interventions   |            |       |
|--|------------|-------|
| (b) Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered                                       |            |       |
| (c) Considering and monitoring risks facing each partner when working collaboratively, including shared risks  |            |       |
| (d) Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances                                 |            |       |
| (e) Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured |            |       |
| (f) Ensuring capacity exists to generate the information required to review service quality regularly  |            |       |
| (g) Preparing budgets in accordance with objectives, strategies and the medium term financial plan   |            |       |
| (h) Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy       |            |       |
| Evidence   | Compliance | Score |
| Strategic Plan   |            |       |
| Strategic Planning Group   |            |       |
| Directions   |            |       |
| Calendar of dates for developing and submitting plans and reports  |            |       |
| Annual financial statement   |            |       |
| Communications strategy  |            |       |
| Risk Management strategy   |            |       |
| Risk management guidance and protocols   |            |       |
| Scrutiny of risk arrangements  |            |       |
| Financial Regulations  |            |       |
| Financial strategy (mid to long-term)  |            |       |
| Performance measures   |            |       |
| Performance monitoring and reporting   |            |       |
| Scrutiny of financial performance  |            |       |
| Scrutiny of service performance  |            |       |
|  |            |       |

## APPENDIX 1

| D3. Optimising achievement of intended outcomes   |  |  |
|---|--|--|
| (a) Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints  |  |  |
| (b) Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term  |  |  |
| (c) Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage |  |  |
| (d) Ensuring the achievement of 'social value' through service planning and commissioning   |  |  |
| <b>Evidence</b>   |  |  |
| Mid to long term financial strategy   |  |  |
| Strategic Plan  |  |  |
| Directions  |  |  |
| Financial Regulations   |  |  |
| Budget monitoring reporting   |  |  |
| Commissioning Plans   |  |  |
| Financial planning with health board and council  |  |  |

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### **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

| <b>E1. Developing the entity's capacity</b>   |  |  |
|---|--|--|
| (a) Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness   |  |  |
| (b) Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently |  |  |
| (c) Recognising the benefits of partnerships and collaborative working where added value can be achieved  |  |  |
| (d) Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources   |  |  |
| <b>Evidence</b>   |  |  |
| Regular reviews of activities, outputs and planned outcomes   |  |  |
| Budget monitoring arrangements  |  |  |
| Capital Asset Strategy and Plan   |  |  |
| Benchmarking arrangements   |  |  |
| Partnership working   |  |  |
| Performance monitoring and reporting  |  |  |
| Benchmarking arrangements   |  |  |
| Officer appraisal arrangements  |  |  |
| Workforce development plan  |  |  |
| Succession planning   |  |  |

| <b>E2. Developing the capability of the entity's leadership and other individuals</b>           |
|---|
| (a) Developing protocols to ensure that officers and members have clear roles and relationships |

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| <b>E2. Developing the capability of the entity's leadership and other individuals</b>   |  |  |
|---|--|--|
| (b) Publishing a statement that specifies the types of decisions that are delegated and those reserved for the the governing body   |  |  |
| (c) Ensuring the Chair and the Director have clearly defined and distinctive leadership roles within a structure  |  |  |
| (d) Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks |  |  |
| (e) Ensuring that there are structures in place to encourage public participation   |  |  |
| (f) Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback  |  |  |
| (g) Holding staff to account through regular performance reviews which take account of training or development needs  |  |  |
| (h) Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing   |  |  |
| <b>Evidence</b>   |  |  |
| Role descriptions for members   |  |  |
| Job descriptions for officers   |  |  |
| Liaison between Chair and Director  |  |  |
| Standing Orders   |  |  |
| Scheme of Delegations   |  |  |
| Financial Regulations   |  |  |
| Members' induction training   |  |  |
| Members; ongoing training   |  |  |
| Review of effectiveness of committees and other meetings  |  |  |
| Staff induction and training  |  |  |
| Officer appraisal arrangements  |  |  |
| Succession planning   |  |  |
| Communication strategy  |  |  |
| Public engagement strategy  |  |  |
| Locality Groups   |  |  |

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### F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

| F1. Managing risk   |  |  |
|---|--|--|
| (a) Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making |  |  |
| (b) Implementing robust and integrated risk management arrangements and ensuring that they are working effectively                  |  |  |
| (c) Ensuring that responsibilities for managing individual risks are clearly allocated  |  |  |
| <b>Evidence</b>   |  |  |
| Risk management strategy/policy   |  |  |
| Risk register   |  |  |
| Internal Audit service  |  |  |
| Identification of actions   |  |  |
| Allocation of responsible officers  |  |  |
| Risk reporting to service management team   |  |  |
| Audit Risk & Governance Committee   |  |  |
| Risk Management Annual Plan   |  |  |
|   |  |  |

| F2. Managing performance |
|--------------------------|
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| F2. Managing performance   |  |  |
|--|--|--|
| (a) Monitoring service delivery effectively including planning, specification, execution and independent post implementation review  |  |  |
| (b) Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook  |  |  |
| (c) Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible |  |  |
| (d) Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement   |  |  |
| (e) Ensuring there is consistency between specification stages (such as budgets) and post implementation   |  |  |
| Evidence   |  |  |
| Identification of outcomes in Strategic Plan   |  |  |
| Calendar of dates for submitting, publishing and distributing timely reports   |  |  |
| Agreement on the information that will be needed and timescales  |  |  |
| Committee remits and powers defined  |  |  |
| Publication of agendas, reports and minutes of meetings  |  |  |
| The role and responsibility for scrutiny has been established and is clear   |  |  |
| Agenda, reports and minutes of scrutiny meetings   |  |  |
| Establishment, recording and review of performance indicators  |  |  |
| Measurement of performance and recording of performance against indicators   |  |  |
| Training for members on performance and scrutiny   |  |  |
| Financial Regulations  |  |  |
| Benchmarking arrangements  |  |  |
| Public performance reporting   |  |  |
| Annual reports to the public   |  |  |
|  |  |  |

| F3. Robust internal control |
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| F3. Robust internal control   |  |  |
|---|--|--|
| (a) Aligning the risk management strategy and policies on internal control with achieving objectives  |  |  |
| (b) Evaluating and monitoring risk management and internal control on a regular basis   |  |  |
| (c) Ensuring effective counter fraud and anti-corruption arrangements are in place  |  |  |
| (d) Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor   |  |  |
| (e) Ensuring an audit committee or equivalent group/function, which is independent of the executive and accountable to the governing body provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment, and that its recommendations are listened to and acted upon |  |  |
| <b>Evidence</b>   |  |  |
| Internal Audit service (PSIAS)  |  |  |
| Risk management strategy/policy   |  |  |
| Risk register   |  |  |
| Local Code of Corporate Governance  |  |  |
| Annual review of system of internal control   |  |  |
| Annual governance statement   |  |  |
| Committee remits and powers defined   |  |  |
| Standards Officer   |  |  |
| Audit Risk & Governance Committee   |  |  |
| Anti-Fraud and Corruption Policy and procedures   |  |  |
| Training for members  |  |  |
|   |  |  |

| F4. Managing data  |  |  |
|--|--|--|
| (a) Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data |  |  |
| (b) Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies   |  |  |
| (c) Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring                                   |  |  |

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| <b>F4. Managing data</b>                                |  |  |
|---|--|--|
| <b>Evidence</b>   |  |  |
| Designated data protection officer                      |  |  |
| Data protection policies and procedures                 |  |  |
| Data sharing agreements                                 |  |  |
| Data processing agreements                              |  |  |
| IT/software protection                                  |  |  |
| Records Management compliance                           |  |  |
| Procedures for responding to subject access requests    |  |  |
| Data breach procedure – reporting and risk assessment   |  |  |
| Annual compliance statements                            |  |  |
| Publication scheme under FOISA/EIRS                     |  |  |
| Reporting on data protection and information management |  |  |
|   |  |  |

| <b>F 5. Strong public financial management</b>   |  |  |
|--|--|--|
| (a) Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance                     |  |  |
| (b) Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls |  |  |
| <b>Evidence</b>  |  |  |
| Finance Officer role identified and supported (CIPFA's Statement on the Role of the Chief Financial Officer in Local Government, CIPFA, 2016)              |  |  |
| Financial Regulations  |  |  |
| Budget control and monitoring guidance   |  |  |
| Report template requires information on financial implications   |  |  |
| Mid to long-term financial strategy and planning   |  |  |
| Budget mentoring at Management Team  |  |  |
| Quarterly budget monitoring reports to members   |  |  |

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| F 5. Strong public financial management                         |  |  |
|---|--|--|
| Identification and registering of financial pressures and risks |  |  |
| Review of system of internal control                            |  |  |
| External audit report   |  |  |
|   |  |  |

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### G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

| G1. Implementing good practice in transparency  |  |  |
|---|--|--|
| (a) Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate |  |  |
| (b) Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand                 |  |  |
|   |  |  |
| Evidence  |  |  |
| Report templates  |  |  |
| Website   |  |  |
| Annual performance report   |  |  |
| Meeting agendas and reports and minutes   |  |  |
| Communications plan or strategy   |  |  |
| Engagement/consultation strategy  |  |  |
| Public sector equality reporting  |  |  |
| Equality impact assessments   |  |  |

| G2. Implementing good practices in reporting  |  |  |
|---|--|--|
| (a) Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way |  |  |
| (b) Ensuring members and senior management own the results reported   |  |  |

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| <b>G2. Implementing good practices in reporting</b>   |  |  |
|---|--|--|
| (c) Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) |  |  |
| (d) Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate   |  |  |
| (e) Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations   |  |  |
| <b>Evidence</b>   |  |  |
| Annual performance report   |  |  |
| Performance reporting to Board  |  |  |
| Annual governance statement   |  |  |
| Local Code of Corporate Governance  |  |  |
|   |  |  |

| <b>G3. Assurance and effective accountability</b>   |  |  |
|---|--|--|
| (a) Ensuring that recommendations for corrective action made by external audit are acted upon   |  |  |
| (b) Ensuring an effective internal audit service is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon  |  |  |
| (c) Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations   |  |  |
| (d) Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement            |  |  |
| (e) Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met |  |  |
| <b>Evidence</b>   |  |  |
| Internal audit service (PSIAS)  |  |  |
| Audit Risk & Governance Committee   |  |  |
| Commissioning plans   |  |  |

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| G3. Assurance and effective accountability      |  |  |
|---|--|--|
| Risk register                                   |  |  |
| Review of effectiveness of Board and committees |  |  |
| Annual performance report                       |  |  |
| Benchmarking                                    |  |  |





Date: 24 January 2018

Agenda Item: 8.



# WORKPLAN FOR WEST LOTHIAN INTEGRATION JOINT BOARD

## AUDIT RISK AND GOVERNANCE COMMITTEE

| Date of Meeting      | Meeting to set agenda | Title of Report                           | Lead Officer | Action  |
|----------------------|-----------------------|---|--------------|---|
| 24 January 2018      | 8 January 2018        |   |              | CONFERENCE ROOM 3, WL CIVIC CENTRE                          |
|                      |                       | Internal Audit of Workforce Planning      | K Ribbons    |   |
|                      |                       | Internal Audit of Financial Planning      | K Ribbons    |   |
|                      |                       | Local Code of Corporate Governance Update | J Millar     |   |
| 28 March 2018        | 23 February 2018      |   |              | CONFERENCE ROOM 3, WL CIVIC CENTRE                          |
|                      |                       | Risk Management (Sept & March)            | K Ribbons    |   |
|                      |                       | Internal Audit of Risk Management         | K Ribbons    |   |
|                      |                       | IJB Self-Assessment                       | K Ribbons    | Questionnaire to be circulated                              |
|                      |                       | Internal Audit Plan 2018/19               | K Ribbons    |   |
|                      |                       | External Audit Plan 2018/19               | K Ribbons    |   |
| Date to be confirmed |                       | Members Training                          | J Millar     | Training for IJB Audit, Risk & Governance Committee Members |

|                       |
|-----------------------|
| Date: 24 January 2018 |
| Agenda Item: 8.       |