

EX1605

**INTERNAL AUDIT REPORT**

**WEST LOTHIAN  
INTEGRATION JOINT BOARD**

**GOVERNANCE REVIEW**

20 December 2016

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## 1.0 EXECUTIVE SUMMARY

- 1.1 In accordance with the West Lothian Integration Joint Board (IJB) annual internal audit plan for 2016/17, as approved at the IJB Audit, Risk and Governance Committee on 24 June 2016, we have undertaken a review of the IJB's governance arrangements and conclude that the level of control **requires improvement**. There are a number of areas that are work in progress and these need to be timeously brought to a conclusion.
- 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, specified adult and elderly health and social 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.
- 1.4 The West Lothian IJB was formally constituted on 21 September 2015 and is a separate legal body. Legislation requires the IJB to establish Standing Orders containing certain prescribed rules. It does not have any explicit requirements in relation to corporate governance. However, good corporate governance is crucial to any public sector body as a means of showing that the body is run properly, and providing assurance that it is well organised in order to direct service delivery. The IJB has therefore decided upon a range of actions to have a sound corporate governance framework in place.
- 1.5 The following findings were identified:
- all Chief and other officer appointments to the IJB have been made, including the appointment of a Finance Officer under section 95 of the Local Government (Scotland) Act 1973;
  - the membership of the IJB is in accordance with the Integration Scheme and statutory requirements;
  - the IJB 2015/16 annual accounts were approved by the Board on 18 October 2016. The external audit of the IJB accounts by Audit Scotland did not raise any findings, or other issues or adjustments;
  - there is an approved Code of Conduct for members which is based on the model Code of Conduct issued by Scottish Ministers and a register of interests is also in place and has been published;
- 1.6 In addition, there were findings identified where some further action is required:
- the IJB Strategic Plan was approved by the Board on 31 March 2016, however work still requires to be undertaken in relation to its ongoing monitoring and review (finding 3.1);
  - an Audit, Risk and Governance Committee has been formed which is separate from the Board, albeit its membership is a subset of the Board (finding 3.2);
  - an IJB risk register is in place and further work is currently progressing to finalise the Risk Management Strategy and Policy (finding 3.3);

- the IJB internal audit and risk management services are both provided by the West Lothian Council Audit, Risk and Counter Fraud Manager. This could lead to a potential conflict of interest (finding 3.4);
  - there are job descriptions in place for the officers appointed to the IJB, however there are no SLA's or other agreements in place detailing the scope of the services to be provided by them (finding 3.5);
  - a review process is in place to ensure that all of the requirements of the Integration Scheme are in place or are in progress and regular update meetings are held with the IJB Chief Officer to review progress. For example, the review process confirms that the IJB has approved Standing Orders including Financial Regulations and a Code of Conduct for meetings. However a Scheme of Delegation and Code of Corporate Governance have still to be prepared and approved (finding 3.6);
  - the Chief Social Worker presented a 2015/16 annual report to the Board on 29 November 2016 however no annual report has as yet been presented by the Clinical Director (finding 3.8).
- 1.7 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.
- 1.8 We appreciate the assistance of IJB officers and West Lothian Council staff during the conduct of our audit. Should you require any further assistance please contact Sharon Leitch.

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

## **2.0 REMIT**

- 2.1 The objective of the audit was to ensure that there are effective governance arrangements in place within the West Lothian Integration Joint Board.
- 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 Jim Forrest, IJB Chief Officer and James Millar, IJB Standards Officer on 15 December 2016.
- 2.4 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.
- 2.5 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.

### 3.0 ACTION PLAN

Ref	Findings & Risk	Agreed Action	Importance Level
3.1	<p><b><u>Strategic Plan - Three Year Rolling Action Plan</u></b></p> <p>The Integration Scheme between West Lothian Council and NHS Lothian states '<i>The Board is to approve a Strategic Plan which will be developed through its Strategic Planning Group... it should detail... a rolling three year action plan which will be reviewed and updated on an annual basis</i>'. Overseeing the implementation of a three year action plan is also included in the remit of the Strategic Planning Group.</p> <p>The three year action plan has not yet been presented to the Board, and it will soon be time for its first annual review and update.</p> <p><b><u>Risk</u></b></p> <p><i>Absence of action plan resulting in progress against the strategic plan not being effectively monitored.</i></p>	The action plan will be presented to the Board by 31 March 2017.	High
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB002
			<b>Action Date</b>
			31/03/17

Ref	Findings & Risk	Agreed Action	Importance Level
3.2	<p><b><u>IJB Audit, Risk and Governance Committee</u></b></p> <p>The IJB Audit, Risk and Governance Committee's membership is made up of a subset of the Board, although it is noted that the Chair of the IJB is precluded from being a member of this committee. From a governance perspective, there is a risk that the membership therefore lacks an appropriate level of independence from the Board.</p> <p><b><u>Risk</u></b></p> <p><i>The current arrangements may lead to less effective scrutiny.</i></p>	<p>There is a statutory impediment to the IJB recruiting more widely. The Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 says at regulation 17(1) that IJBs may "establish committees of its members". Then it says at 17(3) that there must be an equal number of council and health board voting members, so the members of any IJB must by definition be a subset of the IJB.</p> <p>However there is scope to consider ways in which non-voting "advisers" or "associate members" may be involved in the Audit, Risk and Governance Committee in some capacity.</p>	Medium
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB001
			<b>Action Date</b>
			31/03/17

Ref	Findings & Risk	Agreed Action	Importance Level
3.3	<p><b><u>IJB Risk Management</u></b></p> <p>The IJB has a risk register in place however the Risk Management Strategy and Policy are currently in draft and have yet to be finalised.</p> <p><b><u>Risk</u></b></p> <p><i>Lack of strategic direction in respect of risk management.</i></p>	<p>The IJB Senior Management Team will consider the IJB's risk appetite at its meeting on 22 December. This will enable the Risk Management Strategy and Policy to be finalised and reported to the IJB meeting on 14 March 2017.</p>	Medium
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB001
			<b>Action Date</b>
			14/03/17
Ref	Findings & Risk	Agreed Action	Importance Level
3.4	<p><b><u>IJB Internal Audit and Risk Management Services</u></b></p> <p>The IJB's internal audit and risk management services are both provided by the West Lothian Council Audit, Risk and Counter Fraud Manager. This could lead to a potential conflict of interest.</p> <p><b><u>Risk</u></b></p> <p><i>Conflict of interest in the provision of internal audit and risk management services.</i></p>	<p>The council internal audit service works in partnership with Falkirk internal audit service to provide an effective and independent audit of council services.</p> <p>With the permission of the IJB Audit Risk and Governance Committee, the Falkirk internal audit team will be invited to provide independent assurance as to the IJB's risk management activities.</p> <p>It is anticipated that this will be undertaken during the financial year 2017/18 as part of that year's internal audit plan.</p>	Medium
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB001
			<b>Action Date</b>
			31/03/18



Ref	Findings & Risk	Agreed Action	Importance Level
3.5	<p><b><u>SLAs for IJB Audit, Risk and Governance Services</u></b></p> <p>There are job descriptions in place for all of the formally appointed IJB Officers i.e. Chief Officer, Chief Finance Officer, Standards Officer and Internal Auditor.</p> <p>However there are no Service Level Agreements (SLA's) or other formal records in place which detail the scope of the services these officers will provide to the IJB. This is also the case for services provided by the council's Committee Services.</p> <p><b><u>Risk</u></b></p> <p><i>Lack of agreement of defined service provision resulting in potential for confusion or uncertainty.</i></p>	SLA's will be put in place by 31 March 2017.	Medium
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB001
			<b>Action Date</b>
			31/03/17

Ref	Findings & Risk	Agreed Action	Importance Level
3.6	<p><b><u>IJB Governance – Work in Progress</u></b></p> <p>The following areas of IJB governance are still work in progress and it has been confirmed that they have been recorded as such in the formal review process which is currently ongoing:</p> <ul style="list-style-type: none"> <li>• business continuity and emergency planning arrangements are not yet in place, albeit work has been undertaken in respect of severe weather planning.</li> <li>• there are no procedures in place for the use of capital assets, however meetings are ongoing between the council and NHS Lothian to progress these.</li> <li>• information sharing arrangements (including data protection and freedom of information requirements) are not yet finalised and work is still being progressed on a pan-lothian basis.</li> <li>• there is no IJB complaints procedure in place and this is currently being worked on, however the council and NHS Lothian still maintain their own separate complaints procedures.</li> <li>• there is no IJB Scheme of Delegation or Code of Corporate Governance in place.</li> </ul> <p><b><u>Risk</u></b></p> <p><i>Non-compliance with legislation or good practice leading to reputational damage.</i></p>	<p>The requirements of the integration scheme are scheduled to be completed by the 31 March 2017, with the exception of the full implementation of Community Planning participation which is scheduled for completion by 30 June 2017 and the preparation of a Code of Corporate Governance which is scheduled for completion by 30 September 2017.</p> <p>There is a monitoring process in place which ensures progress is monitored on a regular basis.</p>	Medium
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB001
			<b>Action Date</b>
			30/09/17

Ref	Findings & Risk	Agreed Action	Importance Level
3.7	<p><b><u>Systems of Internal Control</u></b></p> <p>The annual governance statement included in the 2015/16 IJB Annual Accounts states the following in respect of systems of internal control '<i>The Board requires to carry out at least annually a review of its system of internal control and to report on that as part of this statement. The Board is still in the very early stages of its existence and is still to fully develop systems of internal control. As summarised above, the legal constitutional requirement of the Board have been put in place, and the structure is there to allow that system to be fully established and to be more formally reviewed in 2016/17 and future years</i>'. </p> <p>From discussion with the Standards Officer it has been established the review of the systems of internal control for 2016/17 will be based on the review of the Standing Orders during 2016/17, the review, development and approval of other key governance documentation, and the completion of IJB audit plan.</p> <p>It should be ensured that there is a documented process which evidences the annual review of the system of internal control.</p> <p><b><u>Risk</u></b></p> <p><i>Lack of evidence to substantiate the review of the system of internal control.</i></p>	The review of the system of internal control will be completed in line with the timescales for the annual governance statement, and will be appropriately documented.	Low
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB001
			<b>Action Date</b>
			30/06/17

Ref	Findings & Risk	Agreed Action	Importance Level
3.8	<p><b><u>Chief Social Worker and Clinical Director</u></b></p> <p>The IJB Integration Scheme between West Lothian Council and NHS Lothian requires that the Chief Social Worker be given the same rights and privileges of access to the Board and Board members as they have in relation to the council and councillors, and that these rights of access should also be extended to the Clinical Director.</p> <p>We have been advised that the rights and privileges of access are dealt with by the West Lothian IJB Standing Order 5.6 which states <i>'In the event that the Chief Social Work Officer or the Clinical Director requires that they be permitted access to the Board to report on matters within their professional and/or statutory roles and responsibilities then they shall be entitled to insist on a report being included on the agenda for an ordinary meeting'</i>.</p> <p>The Integration Scheme also requires that the Chief Social Worker and the Clinical Director shall be required to make an annual report to the Board in relation to aspects of their position which relate to the delivery of delegated functions.</p> <p>The Chief Social Worker reported to the Board on 29 November 2016, however the Clinical Director has yet to report to the Board.</p> <p><b><u>Risk</u></b></p> <p><i>The Board is not fully aware of significant activities or issues which have arisen during the year.</i></p>	The Clinical Director will prepare a report covering clinical governance for 2016/17 and this will be presented to the Board by 30 June 2017.	Medium
			<b>Responsible Officer</b>
			Jim Forrest
			<b>Risk Identifier</b>
			IJB001
			<b>Action Date</b>
			30/06/17

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

### **AUDIT FINDINGS**

Each finding has a level of importance attached to it and will be ranked as '**High**', '**Medium**' or '**Low**'.

### **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.