



West Lothian  
Council



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

West Lothian Civic Centre  
Howden South Road  
LIVINGSTON  
EH54 6FF

17 June 2016

A meeting of **West Lothian Integration Joint Board Audit Risk and Governance Committee** will be held within **Strathbrock Partnership Centre, 189(a) West Main Street, Broxburn, EH52 5LH** on **Friday 24 June 2016** at **10:00 a.m.**

### **BUSINESS**

1. Apologies for Absence
2. Order of Business, including notice of urgent business
3. 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.
4. Consideration of 2015/16 Annual Accounts (Unaudited) - Report by Chief Finance Officer (herewith)
5. Risk Management Presentation
  - (a) Report by Director (herewith)
  - (b) Presentation by the Audit, Risk and Counter Fraud Manager, West Lothian Council (herewith)
6. Risk Management - Report by Director (herewith)
7. Internal Audit Plan 2016/17 - Report by Internal Auditor (herewith)
8. Schedule of Future Meetings - Report by Chief Finance Officer (herewith)

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DATA LABEL: Public

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

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

Date: 24 June 2016

Agenda Item: 4

### CONSIDERATION OF 2015/16 ANNUAL ACCOUNTS (UNAUDITED)

#### REPORT BY CHIEF FINANCE OFFICER

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

To request the Audit Risk and Governance Committee considers the unaudited 2015/16 Annual Accounts of the Integration Joint Board (IJB).

##### **B RECOMMENDATION**

It is recommended that the Audit Risk and Governance Committee considers the 2015/16 Annual Accounts prior to submission to Audit Scotland for audit.

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

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies IJBs should be treated as if they were bodies falling within Section 106 of the Local Government (Scotland) Act 1973. This requires annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations (Section 12 of the Local Government Scotland Act 2003 and regulations under section 105 of the Local Government (Scotland) Act 1973).

The IJB accounts are proportionate to the limited number of transactions of the Board, particularly in 2015/16, given health and social care functions were not delegated to the IJB until 1 April 2016.

The Local Authority Accounts (Scotland) Regulations 2014 require that the unaudited annual accounts are submitted to the appointed auditor no later than 30 June each year. Prior to submission the Regulations also require that the unaudited accounts must be considered by the Board or a committee whose remit includes audit or governance.

The Annual Accounts appended detail the IJBs financial position for 2015/16 taking account of a date of establishment of 21 September 2015. The accounts also include a Management Commentary setting out the purpose and strategic aims of the IJB, and the Annual Governance statement previously approved by the Board.

##### **D CONSULTATION**

Relevant officers in NHS Lothian and West Lothian Council.

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

West Lothian Integration Joint Board meeting held on 31 May 2016.

## **F APPENDICES**

West Lothian Integration Joint Board 2015/16 Annual Accounts (unaudited).

## **G SUMMARY OF IMPLICATIONS**

<b>Equality/Health</b>	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 Wellbeing Outcomes</b>	None.
<b>Strategic Plan Outcomes</b>	None.
<b>Single Outcome Agreement</b>	None.
<b>Impact on other Lothian IJBs</b>	None.
<b>Resource/Finance</b>	None.
<b>Policy/Legal</b>	In accordance with the provisions of the Local Authority Accounts (Scotland) Regulations 2014, the Audit Risk and Governance Committee is required to consider the unaudited accounts,
<b>Risk</b>	None

## **H CONTACT**

Patrick Welsh, Chief Finance Officer, West Lothian Integration Joint Board  
Tel. No. 01506 281320  
E-mail: [patrick.welsh@westlothian.gov.uk](mailto:patrick.welsh@westlothian.gov.uk)

24 June 2016

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**WEST LOTHIAN INTEGRATION JOINT BOARD**

**ANNUAL ACCOUNTS**

**YEAR ENDED 31 MARCH 2016**

## CONTENTS

Accounts of West Lothian Integration Joint Board (IJB) for the year ended 31 March 2016, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### Annual Accounts

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#### **Audit Arrangements**

Under arrangements approved by the Accounts Commission for Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of West Lothian Council for the period 21 September 2015 to 31 March 2016 is:

David McConnell, MA, CPFA  
 Assistant Director of Audit  
 Audit Scotland  
 4<sup>th</sup> Floor, South Suite  
 The Athenaeum Building  
 8 Nelson Mandela Place  
 Glasgow  
 G2 1BT

#### **Statement**

The audit of the West Lothian IJBs Accounts for 2015/16 is yet to be undertaken. The unaudited accounts will be presented to the Audit Risk and Governance Committee on 24 June 2016.

The certified accounts will be presented to the West Lothian IJB for approval following completion of the audit.

## MANAGEMENT COMMENTARY

### PURPOSE AND OBJECTIVES

The Public Bodies (Joint Working) (Scotland) Act 2014 establishes the legal framework for integrating health and social care in Scotland. The West Lothian Integration Joint Board (IJB) was established as a body corporate by order of Scottish Ministers on 21 September 2015 and is a separate and distinct legal entity from West Lothian Council and NHS Lothian. The arrangements for the IJBs operation, remit and governance are set out in the Integration Scheme which has been approved by West Lothian Council, NHS Lothian and the Scottish Government.

The IJBs purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. It receives budget contributions from the council and NHS Lothian to enable it to plan the delivery of delegated functions and deliver on strategic outcomes. It gives directions to the council and NHS Lothian as to the functions to be delivered and the resources available to deliver the functions.

Under the legislation and as part of the approved integration Scheme, the IJB has delegated responsibility for a wide range of health and social care functions including adult social care, general medical services, prescribing, a range of hosted services including Oral Health and Learning Disabilities. A range of acute hospital services are also delegated to the IJB.

The IJB meets on a six weekly basis and is made up of eight voting members, made up of four elected members appointed by West Lothian Council and four NHS Lothian non-executive directors appointed by NHS Lothian. A number of non voting members of the Board including the IJB Director and Chief Finance Officer, and service and staffing representatives are also on the Board as advisory members.

The IJB Audit Risk and Governance Committee and the West Lothian Integration Strategic Planning Group have been set up below the full IJB to support integrated policy and strategic development and to ensure IJB business adheres to the principles of good corporate governance.

### IJB STRATEGIC AIMS

It has been recognised both nationally and locally that whilst health and care needs of individuals are closely intertwined, there is scope to further improve the coordination and integration of services. The way health and social care services are delivered can have a significant impact on shifting the balance of care from hospital to community care, reducing health inequalities and reducing emergency admissions and delayed discharge. Through the Strategic Plan developed it is aimed to:

- Shift the balance of care to provide more care delivered at home or in a homely setting rather than in hospital or other institutions
- Ensure care is person centred, with a focus on the individual and not just specific health and social care needs
- Further improve the joined up approach to working across professions and bodies delivering health and social care functions
- Ensure citizens, communities and staff involved in providing health and social care services will have a greater say in how these services are planned and delivered

In preparing the Strategic Plan a comprehensive review of all health, social and economic data relevant to integration planning was carried out. An important aspect of this is understanding the needs of the West Lothian population. West Lothian has a population of over 177,000 which accounts for 3.3% of the total population of Scotland. Of this population 19.8% are children (0 – 15 years), 59.4% are aged between 16 to 59 years and 20.8% are aged 60 years and over.

It is estimated that West Lothian's population will grow by 12% by 2037 increasing the total population to 196,664. However, the growth in the older age group populations will be very significant over this period with the 65 – 74 years group increasing by 57% and the over 75 age group increasing by 140%. The projected increase in the population of older age groups will place a significantly increased strain on health and social care services and will present a significant challenge. West Lothian also has a higher proportion of people living in the most deprived areas than other parts of Lothian and health indicators show a clear link between decreasing affluence leading to poorer health.

Taking account of West Lothian's needs the Strategic Plan has been developed to deliver the Scottish Government's nine national health and wellbeing outcomes for integration. These are the high level outcomes of health and social care integration which integration will be measured against.

- People are able to look after and improve their own health and wellbeing and live in good health longer

## MANAGEMENT COMMENTARY

- People, including those with disabilities or long term conditions, or who are frail, are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community
- People who use health and social care services have positive experiences of those services, and have their dignity respected
- Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services
- Health and social care services contribute to reducing health inequalities
- People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their health and wellbeing
- People who use health and social care services are safe from harm
- People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide
- Resources are used effectively and efficiently in the provision of health and social care services

Strategic commissioning of IJB functions will be a key element in assessing and forecasting needs, linking investment to agreed outcomes, considering options, planning the nature, range and quality of future services and working in partnership to put these in place.

To achieve the best possible outcomes for people living in West Lothian, the following principles have been agreed to ensure a longer term strategic approach to commission:

- To implement outcomes based approach to the commissioning of care and support services
- To commission health and social care services which meet the needs and outcomes of individual service users which are personalised and offer more choice
- To commission quality services which achieve best value
- To work with our strategic partners and colleagues within the council and NHS to ensure a strategic approach to the commissioning of services
- To ensure transparency and equality when commissioning services and appropriate stakeholder involvement and consultation which includes service users, their carers and providers
- Positively engage, consult and communicate with the independent and voluntary sectors
- To ensure the approved procurement procedures are adhered to

### FINANCIAL STRATEGY AND RESOURCES

While the IJB was legally established on 21 September 2015, the agreed delegated NHS Lothian and West Lothian Council functions and resources will not be delegated to the IJB until 1 April 2016. Therefore, for 2015/16 there will be very limited financial information to be included in the annual accounts.

Looking ahead, for 2016/17 the council approved its budget contribution of £66.685 million to the IJB as part of the 2016/17 revenue budget approved by Council on 23 February 2016. NHS Lothian are continuing to develop their 2016/17 revenue budget plans and at this stage indicative resources of £133.571 million have been advised.

At its meeting on 31 March 2016, the IJB agreed the approved council contribution and indicative NHS Lothian contribution would be allocated to partners, via Directions, to operationally deliver and financially manage IJB delegated functions.

The IJB Annual Financial Statement was also agreed by the Board and sets out indicative three year resources to 2018/19 of £600 million for IJB delegated functions.



**MANAGEMENT COMMENTARY**

A key element of the IJB role will be to influence future financial planning undertaken by NHS Lothian and West Lothian Council for delegated functions. This will be vital in ensuring the IJB strategic plan can be delivered and the objectives of integration including the shift in the balance of care are achieved.

**Chief Officer**

**Date**

## STATEMENT OF RESPONSIBILITIES

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENTS OF ACCOUNT

#### Responsibilities of the Integration Joint Board

The Integration Joint Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that it has an officer responsible for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973. In this Integration Joint Board, that officer is the Chief Finance Officer.
- to manage its affairs to achieve best value in the use of its resources and safeguard its assets; and
- to approve the Annual Accounts for signature

I confirm that these Annual Accounts were approved for signature by the West Lothian IJB Audit, Risk and Governance Committee at its meeting on 23 September 2016

Signed on Behalf of West Lothian Integration Joint Board

Councillor Frank Toner  
Chair of West Lothian Integration Board

#### Responsibilities of the Chief Finance Officer

As financial officer I am responsible for the preparation of the Integration Joint Board's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"), is required to give a true and fair view of the financial position of the Integration Joint Board at the financial year end and its income and expenditure for the year then ended.

In preparing the financial statements I am responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that were reasonable and prudent;
- complying with Code of Practice;

I am also required to:

- keep proper accounting records which are up to date; and
- take reasonable steps to ensure the propriety and regularity of the finances of the Integration Joint Board;

#### Statement of Accounts

I certify the Statement of Accounts presents a true and fair view of the financial position of the West Lothian Integration Joint Board as at 31 March 2016, and its income and expenditure for the year then ended.

**Chief Finance Officer** :

**Date** : 3 June 2016

## REMUNERATION REPORT

### 1. INTEGRATION JOINT BOARD

The voting members of the Integration Joint Board are appointed by West Lothian Council and NHS Lothian. The voting members of the Integration Joint Board and partner organisations are shown below.

#### Chair and Vice Chair

Frank Toner (Chair of Integration Joint Board) – West Lothian Council

Julie McDowell (Vice Chair of Integration Joint Board) – NHS Lothian

#### Other Voting Members

Danny Logue – West Lothian Council

Anne McMillan – West Lothian Council

John McGinty – West Lothian Council

David Farquharson – NHS Lothian

Martin Hill – NHS Lothian

Alex Joyce – NHS Lothian

### 2. SENIOR OFFICERS

The appointment of a Chief Officer is required by section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014. The Chief Officer is appointed by the Integration Joint Board on consultation with the Health Board and Local Authority. The Chief Officer is employed by NHS Lothian and, in line with the Act, is regarded as an employee of the Integration Joint Board for time spent on Integration Joint Board matters.

The services of the Integration Joint Board Chief Finance Officer have to be secured under the requirements of section 95 of the Local Government Scotland Act 1973. In relation to this, the requirement is for the Integration Joint Board to make arrangements for the proper administration of its financial affairs. The Chief Finance Officer is appointed by the Integration Joint Board to undertake this requirement and is employed by West Lothian Council.

### 3. REMUNERATION POLICY

The Integration Joint Board does not pay allowances or remuneration to voting board members. Rather, voting members are remunerated by their relevant partner organisation. In addition, the Integration Joint Board does not pay expenses for voting members.

The remuneration of the Chief Officer is set by NHS Lothian and has a contract of employment with NHS Lothian. In line with the Public Bodies (Joint Working) (Scotland) Act 2014, the Chief Officer is regarded as an employee of the Integration Joint Board when undertaking duties for the Board. This is estimated at 50% of the Chief Officer's time since appointment on 16 February 2016. In respect of this 50%, the post of the Chief Officer is funded by the Integration Joint Board and features in the Integration Joint Board remuneration report.

The statutory responsibility for the Chief Officer's employer pension liabilities rests with NHS Lothian. The remuneration report presents the pension entitlement attributable to the post of the Chief Officer although the Board has no formal ongoing liability. Rather the Integration Joint Board will be expected to fund employer pension contributions as they become payable during the Chief Officer's period of service. On this basis, there is no need to reflect a pensions liability on the IJB balance sheet.

Other officers, including the Chief Finance Officer, are not regarded as employees of the Integration Joint Board. Therefore, such officers do not feature in the Integration Joint Board remuneration report but may feature, as relevant, in the remuneration report of the employing partner.

### 4. REMUNERATION

Based on the above, the following remuneration is relevant to the Integration Joint Board annual accounts:

	Salary, fees and allowances £'000	Taxable expenses £'000	Total remuneration 2016/17 £'000	Total remuneration 2015/16 £'000
James Forrest	6	0	6	0

**REMUNERATION REPORT****5. PENSION BENEFITS**

The IJB Chief Officer took up post on 16 February 2016 and as such benefits earned as a consequence of undertaking the role of the IJB CO are not considered material for 2015/16. The contractual liability for employer pension contributions is considered to rest with NHS Lothian who is the contractual employer.

**Chief Officer:****Date****Chair:****Date**

## ANNUAL GOVERNANCE STATEMENT

The West Lothian Integration Joint Board was established by parliamentary order on 21 September 2015 following approval of the West Lothian Integration Scheme by the Scottish Ministers. It is a body corporate, a legal entity in its own right, but it relies on support from officers employed by West Lothian Council and NHS Lothian in relation to the conduct of its business. It is subject to the Public Bodies (Joint Working) (Scotland) Act 2014 and secondary legislation directly relating to the integration of health and social care services, and indirectly in relation to regulatory regimes affecting devolved public bodies in Scotland.

### Statutory and other Compliance

In its first six months of formal existence the Board has secured compliance with statutory and other requirements, as follows:

- Membership - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated with an additional member having been appointed beyond the statutory minimum
- Standing Orders - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at its inaugural meeting, and a review was carried out of them in April 2016. They comply with statutory requirements
- Committees - the Board has established an Appointments Committee, and an Audit, Risk & Governance Committee, with detailed remits and powers and with their membership clearly defined. They comply with statutory requirements and with the Board's Standing Orders
- Meetings - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees, except in clearly defined and limited circumstances
- Strategic Plan - the Board established its Strategic Planning Group as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures. Through the Group the Board approved and published its Strategic Plan prior to the delegation of the integrated functions on 1 April 2016
- Officers - through the Appointments Committee, the Board appointed its Chief Officer (Director) and its Finance Officer as required by the legislation. It also appointed a Standards Officer in relation to its statutory Code of Conduct for Members, and that appointment has been approved by the Standards Commission for Scotland. An Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit, Risk & Governance Committee
- Finance - the Board received reports in relation to financial assurance prior to the setting of budgets for the integrated functions by the council and the health board, and adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements
- Financial resources and Directions - prior to the delegation of functions, the Board received a firm financial commitment from the council and an indicative financial contribution from the health board which allowed it to receive further financial assurance and to timeously fulfil its statutory duty to issue Directions to the council and health board
- Code of Conduct - pending finalisation of arrangements for a Code of Conduct for Members, the Board adopted an interim Code based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. Those arrangements are in the course of being finalised now that a Model Code for Integration Joint Boards has been produced, and the Register of Members' Interests will thereafter be published and made available for inspection

### Further Work Being Progressed

Through the Board and the Audit, Risk & Governance Committee, further work will be progressed and will be carried out in relation to governance of these particular aspects of the Board's statutory duties and powers:-

- Compliance with Integration Scheme – a review of the Integration Scheme commitments is being progressed to identify further governance requirements that require to be progressed. Although such commitments were given by the council and the health board, they are nevertheless significant for the Board due to its reliance on officers of the council and health board to enable it to do its business

- Annual Audit Plan – this is currently being developed and, upon approval, will be monitored through the Audit, Risk & Governance Committee
- Risk Management - a strategy, monitoring and reporting regime for risk is being developed and will be reported to the Board and Audit, Risk and Governance Committee
- Performance Monitoring and Reporting - similarly, a procedure for recording, monitoring and reporting on service and financial performance is being developed and will be reported to the Board for approval
- Accounting requirements - through the Finance Officer, the Board will require to agree an annual process to secure compliance with the legislation and accounting practices which apply to its annual accounts and financial statements
- Miscellaneous statutory regime compliance - as a devolved public body, the Board is subject to a variety of statutory regimes, such as freedom of information and data protection, and appropriate policies and procedures will require to be developed and approved to secure compliance
- Education and knowledge of members - the provision and uptake of adequate training for Board members will be addressed, due to its importance for good decision-making and the future development of the Board

#### **System of Internal Control**

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 its very early stages of its existence and is still to fully develop that system of control. As summarised above, the legal constitutional requirements 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.

#### **CERTIFICATION**

It is our opinion that reasonable assurance, subject to the matters noted above, can be placed upon the adequacy and effectiveness of the West Lothian Integration Joint Board's systems of governance.

**Chief Officer:**

**Chair:**

**Date:**

**Date:**

<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT</b>						
<b>PURPOSE</b>	<b>This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices</b>					
<b>COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 March 2016</b>						
	<b>2015/16</b>	<b>2014/15</b>				
	<b>Gross Expend £'000</b>	<b>Gross Income £'000</b>	<b>Net Expend £'000</b>	<b>Gross Expend £'000</b>	<b>Gross Income £'000</b>	<b>Net Expend £'000</b>
Health and Social Care Functions	0	0	0	0	0	0
Corporate Services (Running Costs)	13	(13)	0	0	0	0
<b>(Surplus) or Deficit on Provision of Services</b>	<b>13</b>	<b>(13)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Comprehensive Income and Expenditure</b>	<b>13</b>	<b>(13)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**BALANCE SHEET****PURPOSE**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Board.

	Note	As at 31 March 2016 £'000	As at 31 March 2015 £'000
<b>CURRENT ASSETS</b>			
Short Term Debtors	4	5	0
<b>CURRENT LIABILITIES</b>			
Short Term Creditors	5	(5)	0
<b>NET ASSETS</b>		<b>0</b>	<b>0</b>
<b>USABLE RESERVES</b>		<b>0</b>	<b>0</b>
<b>UNUSABLE RESERVES</b>		<b>0</b>	<b>0</b>
<b>TOTAL RESERVES</b>		<b>0</b>	<b>0</b>

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2016 and its income and expenditure for the year then ended.

The unaudited financial statements were authorised for issue on 24 June 2016 and the audited financial statements were authorised for issue on 23 September 2016

**Chief Finance Officer:**

**Date: 3 June 2016**



## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### 1.1 General Principles

The financial statements summarise the transaction of the West Lothian Integration Joint Board for the 2015/16 financial year and its position at the year end. The Integration Joint Board is required to prepare annual financial statements by the Local Authority Accounts (Scotland) Regulations 2014. The Annual Accounts have been prepared under the 2015 Code of Practice based on International Financial reporting Standards (IFRS).

The financial statements are prepared under the historical cost convention as modified for the valuation of certain assets.

#### 1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when the payments are made or received.

#### 1.3 VAT Status

The Integration Joint Board is a non-taxable person and does not charge or recover VAT on its functions.

#### 1.4 Provisions, Contingent Liabilities and Assets

Not relevant

#### 1.5 Events After the Reporting Period

Not relevant

#### 1.6 Debtors and Creditors

Debtors and creditors are reflected in the financial statements to ensure that income and expenditure are properly shown in the financial year relevant to when the related activity takes place.

#### 1.7 Reserves

The West Lothian Integration Joint Board currently holds no reserves.

### 2. RELATED PARTY TRANSACTIONS

The West Lothian Integration Joint Board was established on 21 September 2015 as a joint board between West Lothian Council and NHS Lothian. In 2015/16 there were financial transactions made relating to integrated health and social care functions as functions are not delegated by partners to the Integration Joint Board until 1 April 2016.

Corporate expenditure relating to running costs since the date of establishment on 21 September 2015 are shown below.

	31 March 2016 £'000	31 March 2015 £'000
<b>3. CORPORATE EXPENDITURE (RUNNING COSTS)</b>		
Staff Costs	8	0
Insurance and Audit Costs	5	0
<b>Total</b>	<b>13</b>	<b>0</b>

## NOTES TO THE FINANCIAL STATEMENTS

	31 March 2016 £'000	31 March 2015 £'000
<b>4. SHORT TERM DEBTORS</b>		
Central Government Bodies	0	0
Other Local Authorities	5	0
<b>Total</b>	<b>5</b>	<b>0</b>
<b>5. SHORT TERM CREDITORS</b>		
Central Government Bodies	5	0
Other Local Authorities	0	0
<b>Total</b>	<b>5</b>	<b>0</b>
<b>6. MOVEMENT IN RESERVES</b>		
<b>Usable Reserves – General Fund</b>		
Surplus/(deficit) on provision of services	0	0
Other comprehensive expenditure and income	0	0
<b>Total comprehensive expenditure and income</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>
<b>7. POST BALANCE SHEET EVENTS</b>		
No material issues		
<b>8. CONTINGENT LIABILITIES</b>		
No material issues		

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

Date: 24 June 2016

Agenda Item: 5

### RISK MANAGEMENT PRESENTATION

#### REPORT BY DIRECTOR

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

To advise the Committee of a presentation by the council's Audit, Risk and Counter Fraud Manager on the approach being taken to risk management by the Integration Joint Board.

#### **B RECOMMENDATION**

To note the presentation.

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

To assist the Audit, Risk and Governance Committee effectively scrutinise the Integration Joint Board's risk management arrangements, a presentation has been prepared on the Integration Joint Board's approach to risk management.

The presentation covers the following areas:

- the definition of risk;
- current risk management arrangements;
- the risk assessment methodology;
- the risk register;
- the role of the Committee in relation to risk management;
- future developments.

#### **D CONSULTATION**

Integration Joint Board Senior Management Team.

## **E REFERENCES/BACKGROUND**

Report to West Lothian Integration Joint Board 31 May 2016: Risk Management

## **F APPENDICES**

None.

## **G SUMMARY OF IMPLICATIONS**

<b>Equality/Health</b>	None.
<b>National health and Well-Being Outcomes</b>	Effective risk management is a pre-requisite for effective performance.
<b>Strategic Plan outcomes</b>	Effective risk management is a pre-requisite for effective performance.
<b>Single Outcome Agreement</b>	Effective risk management is a pre-requisite for effective performance.
<b>Impact on other Lothian IJBs</b>	None.
<b>Resource/finance</b>	None.
<b>Policy/Legal</b>	None.
<b>Risk</b>	The presentation sets out the approach being taken to the management of the IJB's risks.

## **H CONTACT**

Kenneth Ribbons, Audit, Risk and Counter Fraud Manager, West Lothian Council

[Kenneth.ribbons@westlothian.gov.uk](mailto:Kenneth.ribbons@westlothian.gov.uk) tel 01506 281573

24 June 2016



## RISK MANAGEMENT

### RISK

- the effect of uncertainty on an organisation's objectives.
- those threats, opportunities or unexpected events that may affect the IJB's ability to achieve its corporate objectives.
- corporate objectives are a matter for the IJB however would presumably relate to national health and wellbeing outcomes and / or strategic plan outcomes.



## RISK MANAGEMENT

### OVERALL ARRANGEMENTS

- IJB maintains a risk register covering strategic risks.
- health and council sides maintain separate risk registers covering operational risks.
- agreed monitoring / review processes



## RISK MANAGEMENT

### IJB METHODOLOGY

- risks are scored for a combination of likelihood and materiality.
- 5x5 grid so each risk scores between 1 and 25.
- risks are scored for original (or uncontrolled) risk and current risk (controls in place).



## RISK MANAGEMENT

### IJB RISK REGISTER

- populated on the basis of a facilitated risk assessment.
- risks take account of IJB objectives and the strategic plan.
- nine risks in total covering areas such as funding, governance arrangements, clinical care and performance management.
- controls and further actions subject to regular review.





## RISK MANAGEMENT

### **AUDIT, RISK AND GOVERNANCE COMMITTEE**

- review reports of strategic risks
- review reports of operational risks.
- scrutinise policies and procedures
- receive assurance that effective risk management arrangements are in place.



## RISK MANAGEMENT

### FUTURE DEVELOPMENTS

- risk management policy
- risk management strategy
- risk appetite
- risk management procedures

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

Date: 24 June 2016

Agenda Item: 6.

### RISK MANAGEMENT

#### REPORT BY DIRECTOR

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

To inform the Committee of the approach being taken to the management of risk.

To inform the Committee of the risks identified.

#### **B RECOMMENDATION**

1. To note progress on risk management as set out in this report.
2. To consider the risks identified, and the control measures in place to mitigate their impact.

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

Risk may be defined as the effect of uncertainty on the ability of an organisation to achieve its objectives.

The objective of risk management is to ensure that risks are properly identified, assessed and managed. Risks may fall into a number of different categories, for example environmental (e.g. severe weather), financial (e.g. funding arrangements) or social (e.g. changes in demographics).

The Integration Scheme between West Lothian Council and NHS Lothian requires the Integration Joint Board (IJB) to operate a risk management strategy. The risk management strategy will comprise relevant policies and procedures for the management of risk. These are currently in the process of being developed and it is expected that the IJB Risk Management Policy will be submitted to the IJB's August meeting for approval.

The Integration Scheme also requires that the IJB maintains a risk register and that the Director produces and agrees a list of the risks to be reported and monitored. A risk register has been set up using West Lothian Council's Covalent system, and the risks to be reported and monitored are attached as appendix 1. These risks were reported to the Board on 31 May 2016.

The risks were identified by the IJB Senior Management Team during a risk management session facilitated by West Lothian Council's risk manager. The methodology used was the same as the current West Lothian Council methodology and is attached as appendix 2.

All of the risks have been scored for likelihood (i.e. an estimate of how likely they are to happen) and impact (i.e. an estimate of the harm arising should they occur) using a five by five risk matrix. These two ratings are multiplied together to provide a risk score. As will be apparent, the scores range between 1 and 25. The higher the score, the higher the assessed risk and therefore the greater potential impact on IJB objectives.

It is important to note that the risks identified represent high level, or strategic, risks to the IJB's objectives. Operational risks are separately recorded in the risk registers of both West Lothian Council and NHS Lothian.

In relation to appendix 1:

- The original risk score represents the uncontrolled risk, that is to say the potential impact if controls are absent or fail;
- The traffic light icon represents the risk ranking based on the score (i.e. high, medium high, medium or low); these are explained further in the table at the end of appendix 1;
- The risk matrices represent the risk score (a combination of likelihood and impact).
- The current risk score represents the current risk, i.e. assuming that current controls are in place and effective;
- The assigned to column identifies the officer assigned to manage the risk;
- The internal controls are those processes in place to reduce the risk from original risk score to current risk score.

## **D CONSULTATION**

West Lothian Integration Joint Board, IJB Senior Management Team.

## **E REFERENCES/BACKGROUND**

Report to West Lothian Integration Joint Board 31 May 2016: Risk Management

## **F APPENDICES**

1. West Lothian Integration Joint Board Risks
2. Risk Management Methodology

## **G SUMMARY OF IMPLICATIONS**

<b>Equality/Health</b>	None.
<b>National health and Well-Being Outcomes</b>	Effective risk management is a pre-requisite for effective performance.
<b>Strategic Plan outcomes</b>	Effective risk management is a pre-requisite for effective performance.
<b>Single Outcome Agreement</b>	Effective risk management is a pre-requisite for effective performance.
<b>Impact on other Lothian IJBs</b>	None.
<b>Resource/finance</b>	None.
<b>Policy/Legal</b>	None.
<b>Risk</b>	This report sets out progress in relation to management of the IJB's risks.

## **H CONTACT**

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24 June 2016









## West Lothian Integration Joint Board Risks





Generated on: 15 June 2016 14:59





Report Layout: Original and current risks with internal controls

Rows are sorted by Risk Score, Risk Score



Risk Code and Title	Description	Original Risk Score	Traffic Light Icon
<b>IJB005 Inadequate Funding</b>	Funding is inadequate to meet strategic objectives, or is inadequately apportioned.	25	
<b>IJB008 Workforce Management</b>	Performance inhibited by: funding pressures; IJB resource allocation; inability to recruit and retain key professional staff.	12	
<b>IJB002 Ineffective Strategic Plan</b>	Ineffective strategic plan leads to key objectives not being achieved.	20	



Current Likelihood	Current Impact	Current Risk Score	Traffic Light Icon	Assigned To	Internal Controls
3	4	12		Jim Forrest	S95 Officer Due diligence by S95 Officer Approval of resource allocations by IJB Board Monitoring / reporting of progress / outturn Scrutiny by Audit Committee Financial Regulations / rules for overspends
4	3	12		Jim Forrest	Current NHS and WLC workforce management arrangements. Reporting to, and monitoring by, IJB SMT and Board.
2	5	10		Jim Forrest	National outcomes. Local outcomes. Clear vision as to what is required Strategic Plan based on national and local policy Review of plan by IJB SMT Approval of plan by IJB Board

Risk Code and Title	Description	Original Risk Score	Traffic Light Icon
<b>IJB001 Governance Failure</b>	Lack of leadership and / or ineffective governance leading to failure to meet key objectives, financial overspends or reputational damage.	15	
<b>IJB009 Demographic Changes</b>	Current service models unable to meet future service demands, e.g. in relation to ageing population.	20	
<b>IJB004 Failure of Clinical and Care Governance</b>	Harm to service users.	25	
<b>IJB006 Failure of Health and Safety Arrangements.</b>	Harm to employees / volunteers	25	





Current Likelihood	Current Impact	Current Risk Score	Traffic Light Icon	Assigned To	Internal Controls
2	5	10		Jim Forrest	Director / S95 Officer Standing Orders / Scheme of Administration Audit Committee / scrutiny Code of Conduct Policies and Procedures – financial, governance, risk Procedures for assessing disputes re resource allocations Governance / legal advice
3	3	9		Jim Forrest	Strategic Plan Programme / service redesign Management of customer expectation
2	4	8		Jim Forrest	Existing clinical and care governance arrangements within NHS and Social Policy. Effective performance reporting to IJB SMT and Board. Care and governance group to be formed.
2	4	8		Jim Forrest	Existing health and safety arrangements on council and health sides Effective performance reporting to IJB SMT and Board



Risk Code and Title	Description	Original Risk Score	Traffic Light Icon
<b>IJB003 Inadequate Performance Management</b>	Inadequate performance management leads to key performance measures not met.	12	
<b>IJB007 Community Planning Failure</b>	Inability to work effectively with partners leading to poorer outcomes.	9	

Current Likelihood	Current Impact	Current Risk Score	Traffic Light Icon	Assigned To	Internal Controls
2	3	6		Jim Forrest	Agreed outcomes / performance measures Robust performance management within WLC / NHS Regular monitoring by IJB SMT Regular reporting of performance to IJB
1	3	3		Jim Forrest	Participation in Community Planning arrangements. Strategic Plan.

#### Key to Icons

Icon	Score	Meaning
	16-25	High
	12-15	Medium High
	5-10	Medium
	1-5	Low



## PROBABILITY TABLE

1	Unlikely	Has not happened so far and is unlikely to happen.
2	Possible	Has happened to neighbours and could happen here.
3	Likely	Has happened in the past or can be expected to happen sometime.
4	Very Likely	Has happened within the last three years and can be expected to happen again.
5	Almost Certain	It has happened several times a year and can be expected to happen.

The table is based on past history or knowledge of problems elsewhere. These are easier to judge, but you may also consider 5 is relevant for "accidents waiting to happen".

In assessing risk be aware that the absence of controls may result in an increased likelihood of an event. For example, an event assessed with current controls as possible, may be assessed with the absence of controls as likely or higher.

## IMPACT TABLE

Impact Risk Assessment - each column is independent. Use the highest score.

<u>Hazard</u>	Personal safety	Property loss or damage	Regulatory / statutory / contractual	Financial loss or increased cost of working	Impact on service delivery	Personal privacy infringement	Community / environmental	Embarrassment
<b><u>Impact of Risk</u></b>								
<b>Insignificant 1</b>	Minor injury or discomfort to an individual	Negligible property damage	None	<£10k	No noticeable impact	None	Inconvenience to an individual or small group	Contained within service unit
<b>Minor 2</b>	Minor injury or discomfort to several people	Minor damage to one property	Litigation, claim or fine up to £50k	£10k to £100k	Minor disruption to services	Non sensitive personal information for one individual revealed / lost	Impact on an individual or small group	Contained within service
<b>Significant 3</b>	Major injury to an individual	Significant damage to small building or minor damage to several properties from one source	Litigation, claim or fine £50k to £250k.	>£100k to £500k	Noticeable impact on service performance.	Non sensitive personal information for several individuals revealed / lost	Impact on a local community	Local public or press interested
<b>Major 4</b>	Major injury to several people or death of an individual	Major damage to critical building or serious damage to several properties from one source	Litigation, claim or fines £250k to £1m	>£500k to £2m	Serious disruption to service performance	Sensitive personal information for one individual revealed / lost	Impact on several communities	National public or press interest
<b>Catastrophic 5</b>	Death of several people	Total loss of critical building	Litigation, claim or fines above £1m or custodial sentence imposed	>£2m	Non achievement of key corporate objectives	Sensitive personal information for several individuals revealed / lost	Impact on the whole of West Lothian or permanent damage to site of special scientific interest	Officer(s) and/or members dismissed or forced to resign

## RISK MATRIX

<b>PROBABILITY</b>	Almost Certain 5	5 Low	10 Medium	15 High	20 High	25 High
	Very Likely 4	4 Low	8 Medium	12 High	16 High	20 High
	Likely 3	3 Low	6 Low	9 Medium	12 High	15 High
	Possible 2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Unlikely 1	1 Low	2 Low	3 Low	4 Low	5 Medium
		Insignificant 1	Minor 2	Significant 3	Major 4	Catastrophic 5
		<b>IMPACT</b>				



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

Date: 24 June 2016

Agenda Item: 7.

### INTERNAL AUDIT PLAN 2016/17

### REPORT BY INTERNAL AUDITOR

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

To inform the Committee of the 2016/17 internal audit plan.

#### **B RECOMMENDATION**

To approve the 2016/17 internal audit plan.

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

The internal audit plan for 2016/17 sets out the planned internal audit work for the year to 31 March 2017 and is attached as an appendix.

The Public Sector Internal Audit Standards (PSIAS) require that a risk based audit plan be prepared. The internal audit plan therefore takes account of the Integration Joint Board's key risks as reported to the Board on 31 May 2016.

The purpose of the internal audit plan is to audit the Integration Joint Board's processes and ensure that effective controls are in place to mitigate the risks identified. It should be noted that separate internal audit arrangements are in place in relation to the council and health sides.

#### **D CONSULTATION**

The internal audit plan is based on the Integration Joint Board risk register which was reported to the Board on 31 May 2016.

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

Report to West Lothian Integration Joint Board 31 May 2016: Risk Management

## F APPENDICES

West Lothian Integration Joint Board Internal Audit Plan 2016/17.

## G SUMMARY OF IMPLICATIONS

<b>Equality/Health</b>	None.
<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 internal audit plan aims to address key risks to the IJB's objectives.

## H CONTACT

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24 June 2016





**West Lothian Integration Joint Board**  
**Internal Audit Annual Plan 2016/17**



<b>Audit Topic</b>	<b>Risk Register Reference</b>	<b>Risk</b>	<b>Audit Description</b>	<b>Estimated Days</b>
Financial Assurance	IJB005	Funding is inadequate to meet strategic objectives, or is inadequately apportioned.	Conduct an audit of the IJB's financial assurance processes to ensure that the sums allocated to the IJB are adequate for its purposes.	10
Governance	IJB001	Lack of leadership and / or ineffective governance leading to failure to meet key objectives, financial overspends or reputational damage.	Conduct an audit of the IJB's governance processes to ensure that they appear to be effective.	10
Strategic Planning	IJB002	Ineffective strategic plan leads to key objectives not being achieved.	Conduct a high level review of the processes for preparing and approving the strategic plan.	5
Performance Management	IJB003	Inadequate performance management leads to key performance measures not met.	Conduct a high level review of the IJB's performance management processes.	5



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

Date: 24 June 2016

Agenda Item: 8.

### SCHEDULE OF FUTURE MEETINGS

#### REPORT BY CHIEF FINANCE OFFICER

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

Meeting dates for the Audit Risk and Governance Committee have been set until 23 September 2016. This report outlines a proposed schedule of further meetings for the remainder of the financial year including agenda setting meetings.

##### **B RECOMMENDATION**

1. To agree the proposed schedule of meetings.

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

The remit of the Audit Risk and Governance Committee was agreed by the West Lothian Integration Joint Board at its meeting on 5 April 2016. As part of the remit the committee is required to meet at least four times in each financial year.

To ensure compliance with the approved remit and provide committee members with as much notice as possible, it is proposed that the following meetings, in addition to the meeting already set for 23 September 2016 are agreed by the committee.

- Friday 6 January 2017 – 10.00 a.m.
- Friday 31 March 2017 – 10.00 a.m.

It is also proposed that the committee meetings continue to be held in Stratbrock Partnership Centre, Broxburn, as this building meets requirements for accessibility, parking and meeting space.

##### **D CONSULTATION**

Relevant officers in NHS Lothian and West Lothian Council.

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

West Lothian Integration Joint Board meeting held on 5 April 2016.

##### **F APPENDICES**

None.

## **G SUMMARY OF IMPLICATIONS**

<b>Equality/Health</b>	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 Wellbeing Outcomes</b>	None.
<b>Strategic Plan Outcomes</b>	None.
<b>Single Outcome Agreement</b>	None.
<b>Impact on other Lothian IJBs</b>	None.
<b>Resource/Finance</b>	None.
<b>Policy/Legal</b>	Standing Orders require a committee to be in place to deal with internal and external audit business, risk management and corporate governance.
<b>Risk</b>	Non compliance with Standing Orders.

## **H CONTACT**

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24 June 2016