

FALKIRK COUNCIL

**Subject: HEALTH AND SOCIAL CARE INTEGRATION –
INTERNAL AUDIT AND ASSURANCE**
Meeting: AUDIT COMMITTEE
Date: 22 June 2015
Author: INTERNAL AUDIT MANAGER

1. INTRODUCTION

- 1.1 This is the first in a series of reports that will summarise, and provide updates on, the Internal Audit and Assurance processes associated with the integration of Health and Social Care Services.
- 1.2 Members will be aware of the work being progressed to meet the requirements of the Public Bodies (Joint Working)(Scotland) Act 2014. As part of the process of establishing a body corporate approach to integration, Internal Audit has a role in providing assurance to the Audit Committee (or equivalent) of the Joint Board and of Falkirk Council.

2. INTERNAL AUDIT AND ASSURANCE

- 2.1 The Scottish Government's 'Health and Social Care Integration: Guidance for Integration Financial Assurance' (the Guidance) provides advice to Health Boards, Local Authorities, and Integration Joint Boards (IJB) on a process of assurance to help make integration a success.
- 2.2 The Guidance recommends that Health Board and Local Authority Chief Finance Officers, along with the shadow Chief Officer and the shadow Chief Finance Officer of the IJB, foster an assurance process based on mutual trust and confidence. This should involve an open book approach and an honest sharing and discussion of the assumptions and risks associated with the delegated services.
- 2.3 IJBs will not be able to formally participate in the assurance process until completion of the 'shadow' period. It is, nevertheless, important that arrangements are established to allow the IJB to obtain assurance that its resources are adequate to allow it to carry out its functions, as well as the associated risks. On that basis, the Guidance recommends that:
 - The shadow Chief Officer and shadow Chief Finance Officer work with the Health Board and Local Authority Chief Finance Officers to carry out assurance work up to establishment of the IJB;
 - The shadow IJB receives reports on the assurance work until the IJB is established; and

- The Health Board and Local Authority Internal Auditors provide a report to their respective Audit Committees (copied to the shadow Integration Board) on the assurance process.
- 2.4 As a first step, a joint paper by the NHS Forth Valley and Falkirk Council Internal Audit Managers was presented to the Transitional IJB on 05 June. A copy of this paper is attached at **Appendix 1**. The purpose of the paper is four fold:
- to highlight areas where the Transitional IJB should seek assurances from managers employed by each partner on key principles relating to project management;
 - to highlight the potential for Internal Audit to feed into the ongoing work of the Risk Management workstream;
 - to suggest other areas where Internal Audit may have a value adding role, particularly in relation to the review of key governance documents such as Financial Regulations; and
 - to propose that NHS Forth Valley and Falkirk Council jointly provide Internal Audit services to the IJB.
- 2.5 The formal assurance and due diligence process will commence with the appointment of a shadow Chief Officer and shadow Chief Finance Officer. In the interim, however, the report at **Appendix 1** will assist the Transitional IJB seek initial assurances and help drive and shape the assurance and due diligence approach adopted when appointments are finalised. Internal Audit have developed a supporting checklist to assist with this initial assessment.
- 2.6 As well as the ongoing recruitment processes for shadow Chief and Chief Finance Officers, arrangements are being put in place to work towards full IJB Board membership by August 2015. Falkirk Council's Depute Chief Governance Officer presented an amended Integration Scheme to the Transitional Board in early June, and this will be re-submitted to the Scottish Government for approval and to proceed through the parliamentary order process.
- 2.7 To support the Integration Scheme, the shadow IJB is required to prepare a Strategic Plan. This requires to be finalised by 31 March 2016, and will be substantively progressed once the Chief and Chief Finance Officer appointments are made. Internal Audit will seek to feed into the draft Strategic Plan consultation process, focussing on the reasonableness of the underlying assumptions.
- 2.8 Internal Audit have also sought to engage with the ongoing integration Risk Management workstream. While it is for the Transitional Board, supported by the Risk Management Workstream, to develop a preferred approach to risk management, as well as initial risk registers, Internal Audit is able to comment on the process and approach adopted. To that end, both Falkirk Council and NHS Forth Valley's Internal Auditors have offered to attend, and feed into, risk management workshops to be run later in the year.

- 2.9 As well as feeding into the risk management process, Internal Audit could also make a positive contribution by providing assurance on, and input into, the preparation of key documents such as Financial Regulations, Schemes of Delegation, etc. While Internal Audit cannot be responsible for drafting these documents, there is clearly a role to ensure that each key governance document strikes the right balance between robust yet proportionate control and streamlined and efficient systems.
- 2.10 Finally, it is worth noting that the Internal Audit teams of Falkirk Council and NHS Forth Valley have worked closely and effectively to date on developing our approach to delivering our service in the run-up to full integration. We have maintained a good, open dialogue, and shared information and guidance as this has developed. It is for the IJB, once formed, to appoint a Chief Internal Auditor with responsibility for providing an effective Internal Audit Service. To build on this collaborative approach, and to ensure additional resilience, it may be desirable for the Internal Audit service to be delivered jointly.

3. RECOMMENDATIONS

3.1 Members are invited to note:

- 3.1.1 the recommendations set out in the ‘Guidance for Integration Financial Assurance’;**
- 3.1.2 the approach to seeking initial assurance set out at paragraph 2.4 and Appendix 1;**
- 3.1.3 that the formal assurance and due diligence process will commence on the appointment of shadow Chief and Chief Finance Officers;**
- 3.1.4 that Internal Audit will contribute to arrangements for preparing the Strategic Plan, developing the approach to risk management, and for drafting key governance documents, as appropriate; and**
- 3.1.5 that the Internal Audit teams of Falkirk Council and NHS Forth Valley have worked well together and support the joint delivery of Internal Audit services to the IJB.**

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Internal Audit Manager

Date: 11 June 2015

Title/Subject: Internal Audit and Assurance

Meeting: Transitional Board

Date: 5 June 2015

Submitted By: Internal Audit Manager Falkirk Council and
Chief Internal Auditor NHS Forth Valley

Action: For Decision

1. PURPOSE OF REPORT

- 1.1 This report presents key issues in relation to Internal Audit and assurance highlighted by Falkirk Council and Heath Board Internal Auditors for consideration by the Falkirk Transitional Board.

2. RECOMMENDATION

- 2.1 It is recommended that the Transitional Board:
- a) note the Internal Auditors' comments regarding the need to seek assurance on key aspects of project planning and due diligence associated with the integration process;
 - b) note the potential contribution of Internal Audit; and
 - c) note the contents of the report.

3. BACKGROUND

- 3.1 Both Falkirk Council and NHS Forth Valley Internal Audit teams have provision within their 2015/16 Internal Audit plans for reviewing issues relating to Health and Social Care Integration. In order to take this work forward, it may be helpful for Internal Audit to provide an initial briefing paper for the Transitional Board.

4. INTERNAL AUDIT CONSIDERATIONS

- 4.1 As part of the process of integrating health and social care being progressed by the Falkirk Transitional Board, both Falkirk Council and NHS Forth Valley have bodies within their governance structures which will require assurance on the adequacy and effectiveness of the project management arrangements being used by managers employed by each partner, including those relating to planning, monitoring, and risk managing the integration process. The Transitional Board will itself, of course, also have a direct interest in satisfying itself that all relevant matters are being progressed in a timely manner.
- 4.2 Both Falkirk Council and NHS Forth Valley Internal Auditors (in consultation and agreement with Audit Scotland, who act as External Auditors to both organisations) consider that it would be appropriate for the Transitional Board to seek assurance from managers employed by each partner on key principles in relation to project planning. This should include:
- Are there proportionate and realistic plans for Health and Social Care Integration with appropriate project management and governance arrangements which take into account the particular issues resulting from joint working and decision-making?
 - Are these plans subject to regular review and monitoring?
 - Do plans identify likely timescales and have these been communicated and agreed with full involvement from both partners?
 - Are there overarching plans incorporating all key aspects including the preparation of comprehensive Integration Plans and Strategic Plans?
 - Have potential obstacles to the achievement of the plans and other risks been identified and recorded in the project and Board risk registers as appropriate?
 - Are there appropriate project management structures and sufficient resources to deliver the plans?
- 4.3 Guidance¹ has also recommended that Health Boards and Local Authority Director of Finance/Chief Finance Officers and the shadow Chief Officer and shadow Chief Financial Officer of the Integration Joint Board (IJB) foster an assurance process based on mutual trust and confidence involving an open-book approach and an honest sharing and discussion of the assumptions and risks associated with the delegated services. The assurance process should be proportionate to the potential risks, cover the whole transition period from pre-integration, through implementation and post integration, and include financial, legal, and operational aspects. The guidance also recommends that Local Authority and Health Board Internal Auditors provide a report to the Local Authority and Health Board Audit Committees (copied to the shadow IJB) on the assurance process.

¹ Scottish Government, Health and Social Care Integration, Public Bodies (Joint Working)(Scotland) Act 2014, Guidance for Integration Financial Assurance

This guidance has recently been reiterated within an Audit Scotland Technical Bulletin², which stated that *'the reports provided to the Audit Committee should be considered in the preparation of the 2014/15 governance statement. Where assurance reports have not been provided to the Audit Committee, this should be considered for inclusion within the governance statement.'* It is recommended that, before Governance Statements are considered, both parties' Audit Committees receive a report, setting out the timetable and process for the due diligence process, together with confirmation from Internal Audit on the adequacy of the process in relation to the requirements of the guidance. The timetable would include arrangements for the completion and audit of the process and subsequent reporting to both Audit Committees and Transitional Board.

- 4.4 It is important that the Transitional Board continues to develop its understanding of risks in relation to the integration process, and builds on its consideration of risk management arrangements for the Integration Board. Both Internal Auditors have offered to feed into ongoing Risk Management workstream discussions on identifying and recording key risks associated with the integration process.
- 4.5 There are further areas where Internal Audit may be able to make a positive contribution including assurance on, and input to, the preparation of key governance and accountability documents such as the Financial Regulations and Schemes of Delegation, Clinical and Care Governance Framework etc.
- 4.6 The Transitional Board will require an Internal Audit function. IRAG guidance³ states that it is for the IJB to appoint a Chief Internal Auditor. All parties are agreed that a joint arrangement between the Falkirk Council and NHS Forth Valley Chief Internal Auditors would be desirable and would allow the relevant knowledge, skills and experience of both audit teams to be utilised most effectively.

Approved for Submission by: Audit Manager, Falkirk Council

Author – Chief Internal Auditor (01334 696028) and Audit Manager (01324 506 339)

Date: 22 May 2015

List of Background Papers:

- Scottish Government - Guidance for Integration Financial Assurance
- Audit Scotland – Audit Technical Bulletin 2015/1
- Integrated Resources Advisory Group – Finance Guidance

² Audit Scotland, Technical Bulletin 2015/1.

³ Integrated Resources Advisory Group, Finance Guidance.