

**FALKIRK IJB
INTERNAL AUDIT SERVICE**



ANNUAL INTERNAL AUDIT REPORT

2015/2016

Issued To: P Cassidy, Chief Officer
E Murray, Chief Finance Officer
S Thomson, Programme Manager, SCI

C Moodie, Depute Chief Governance Officer, Falkirk Council

Falkirk Integration Joint Board
External Audit- Audit Scotland

Date: 22 July 2016

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INTRODUCTION AND CONCLUSION

1. The Integrated Resources Advisory Group (IRAG), established by the Scottish Government to develop professional guidance, outlines the responsibility of the Integration Joint Board (the IJB) to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.
2. This guidance also states that the IJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.
3. To inform this review and the preparation of the governance statement, as stated in the CIPFA framework on Delivering Good Governance in Local Government, Internal Audit is required to provide an annual assurance statement on the overall adequacy and effectiveness of the framework of governance, risk management and control. As Chief Internal Auditor, this annual report to the IJB provides my opinion on the IJB's internal control framework for the financial year 2015/16.
4. The Order establishing the IJB was passed by the Scottish Parliament on 3 October 2015. The Chief Officer took up post in November 2015 and the Chief Finance Officer in March 2016 on a temporary basis until October 2016. These appointments were confirmed by the IJB at its meetings in November 2015 and March 2016 respectively.
5. The IJB did not have operational responsibility in year for delegated services. Formal transfer of functions took place on 1 April 2016. My review of the internal control environment for 2015/16 is therefore based solely on the responsibilities of the IJB in year.
6. The IJB has produced a draft Governance Statement with no disclosures for 2015/16.
7. Based on work undertaken I have concluded that:

- **The IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16**

8. In addition, I have not advised management of any concerns around the following:

- **Consistency of the Governance Statement with information that we are aware of from our work**

ACTION

9. The IJB is asked to **note** this report in evaluating the internal control environment for 2015/16 and **consider** any actions to be taken on the issues reported for consideration.

INTERNAL CONTROL

10. FTF was appointed as the IJB's Internal Audit Service for 2015/16 in February 2016. We can confirm that FTF complies with the Public Sector Internal Audit Standards (PSIAS). Our work in year reviewed, in partnership with the Falkirk Council Internal Audit Service, compliance with the national Financial Assurance (Due Diligence) guidance. We found that the due diligence processes undertaken comprehensively covered the requirements of the national financial assurance and reports met all the requirements of the guidance in relation to risk assessment. Internal Audit also provided advice on the draft financial regulations.
11. To inform our assessment of the internal control framework, we developed a self assessment governance checklist for completion by management. The checklist was based on requirements of the Integration Scheme, guidance issued by the Scottish Government to support Health and Social Care Integration and best practice. Internal Audit validated the assessments reached through discussion with management and examination of the supporting evidence and documentation.
12. Based on our validation work, we can provide assurance on the following key arrangements in place by 31 March 2016; as well as ongoing and planned work in 2016/17. Based on our assessment, we also recommend further issues for consideration by management.
13. Our evaluation of the IJB's Governance Framework is summarised below and shows that the control standards we expected to see at this stage of development of the IJB are in place.

Corporate Governance
Key arrangements in place as at year end 2015/16
<ul style="list-style-type: none"> • The Integration Scheme was approved by the Cabinet Secretary for Health, Wellbeing and Sport in August 2015; • Standing Orders were approved in November 2015 and provision has been made for Deputations and to allow voting members to have motions included on the agenda of IJB meetings; • The IJB appointed the Internal Audit Service for 2015/16 and 2016/17 in February 2016; • In June 2016, the IJB agreed the establishment of an Audit Committee and noted the internal audit planning work; • The IJB approved the Risk Management Strategy in March 2016 and approved the Strategic Risk Register in June 2016; • An update on the involvement and engagement work undertaken as part of the development of the strategic plan was reported to the IJB in February 2016; • A Strategic Planning Group is in place and the Strategic Commissioning Plan was approved in March 2016 following appropriate consultation;

<ul style="list-style-type: none"> • The paper on '<i>Delegated Authority</i>' was approved at the March 2016 meeting to give the Chief Officer and the Chief Financial Officer the delegated authority that they require to carry out their roles. The Scheme of Delegation is in development; • The June 2016 IJB meeting noted the operational arrangements for community health services following the disestablishment of the Community Health Partnership in April 2016; • The Code of Conduct was approved at the June 2016 meeting.
Developments in 2016/17- in place or planned by management
<ul style="list-style-type: none"> • A draft Governance Statement has been prepared for 2015/16 as part of the annual accounts process and will be presented to the IJB in August 2016; • The '<i>Delegation of Authority</i>' paper was approved at the March 2016 meeting with the provision that officers will return to the IJB at a later date with a full Scheme of Delegation for the IJB's consideration; • Work is ongoing on management arrangements for the partnership; • In June 2016, the IJB noted the content of the Audit Scotland report '<i>Changing Models of Health and Social Care</i>' published in March 2016; • The '<i>Falkirk Health and Social Care Partnership Integrated Workforce Plan</i>' was approved by the IJB in November 2016; • An Internal Audit plan for 2016/17 will be brought to the August 2016 IJB meeting for approval; • Further work is planned on arrangements for hosted services; • A Performance Management Framework was agreed in March 2016 and the IJB acknowledged that further development will be required over time as the processes become established.
Recommended further issues for consideration by management
<ul style="list-style-type: none"> • Accountability and responsibilities of the IJB in respect of all governance arrangements should be clarified and agreed by the IJB and flow through to risk management and assurance arrangements; • An Assurance Framework is in development; which should include explicitly linking objectives, risks, controls/actions and assurances/performance reporting within the context of the IJB governance structures. Target completion dates should be established with monitoring undertaken by the Audit Committee; • Assurance arrangements should include consideration of reporting lines and the flow of assurance including any officer and governance groups in place. Workplans/reporting schedules should be developed for the IJB and its Standing Committees, showing when items of business require to be considered to deliver their purpose and remit of the IJB as well as any additional reporting agreed by members; • In December 2015 the Audit Scotland report '<i>Health and Social Care Integration</i>' was distributed to IJB members but has not been formally considered and no action plan has been produced;

<ul style="list-style-type: none"> • The '<i>Falkirk Health and Social Care Partnership Integrated Workforce Plan</i>' approved by the IJB in November 2016, reporting arrangements need to be developed to ensure that the IJB receives Staff Governance and Workforce Planning Reports; • Development of the Performance Management Framework should include consideration of how the framework will address Best Value requirements.
Clinical & Care Governance/ Financial Governance/ Staff Governance/ Information Governance
Key arrangements in place as at year end 2015/16
<ul style="list-style-type: none"> • The '<i>Clinical and Care Governance Framework</i>' was approved at the March 2016 IJB meeting. The paper states that the proposed framework will be further developed over time to reflect the experience of integrated working and governance required as local arrangements for services are better understood and evolve as part of the strategic planning process; • The '<i>Clinical and Care Governance Framework</i>' refers to the '<i>Clinical Care Governance Group</i>' providing oversight. This will take the form of review and scrutiny of '<i>Significant adverse events including significant case reviews</i>'. • Financial Assurance (Due Diligence) was undertaken on budgets to be transferred. This was reviewed by Internal Audit and reported at the March 2016 meeting; • The Financial Regulations were approved in March 2016, the responsibilities of the IJB, Chief Officer and Chief Financial Officer were noted; • An IJB Board Development Session was held in December 2015 to discuss the future development of the needs of the IJB; • The '<i>Integration Joint Board Development Programme</i>' was presented to the IJB in June 2016 to agree the production of a development plan and comment on the content of the proposed programme of development activities, the plan will be further developed following feedback; • The IJB in December 2015 agreed to apply for the membership of the Clinical Negligence and Other Risk indemnity Scheme (CNORIS) membership to ensure appropriate liability and indemnity cover; • The IJB approved an 'Information Governance' paper in March 2016 which states that '<i>the Council and the Health Board are already party to the Forth Valley Accord which sets out high level information sharing principles and governance arrangements</i>'.
Developments in 2016/17- in place or planned by management
<ul style="list-style-type: none"> • The '<i>Clinical and Care Governance Framework</i>' refers to the establishment of a '<i>Clinical Care Governance Group</i>' (CCGG) to provide oversight. This is in progress. • The '<i>Integration Joint Board Development Programme</i>' requires further development to incorporate any feedback from members of the IJB and will be submitted to the next meeting of the IJB in August 2016;

Recommended further issues for consideration by management
<ul style="list-style-type: none">• The Financial Governance paper presented to the IJB in February 2016 had anticipated that the Scheme of Delegation would be further developed and presented to the April 2016 meeting;• <i>The 'Clinical and Care Governance Framework'</i> presented at the March 2016 meeting does not overtly incorporate section 5.15 and 5.16 of the Falkirk Integration Scheme which states '<i>the Chief Social Work Officer reports annually to a meeting of the Council on the discharge of his/her duties as Chief Social Work Officer.</i>' This will continue and relate to both the Integration Functions and Non-Integrated Functions/Services. In addition to the annual report, the Chief Social Work Officer is entitled to advise the Council on all matters relating to social work functions;• Objectives and appraisal processes for the Chief Officer and Chief Finance Officer will need to be implemented.

ACKNOWLEDGEMENT

14. On behalf of the Internal Audit Service I would like to take this opportunity to thank the Chief Officer and Chief Finance Officer of the IJB as well as staff within the partnership for the help and co-operation extended to Internal Audit throughout this challenging first year.

A Gaskin, BSc. ACA
Chief Internal Auditor

Ref.	Finding	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
1.	Our evaluation of the IJB's governance framework has identified planned improvements for 2016/17 as well as further issues for consideration by management.	We would recommend that an action plan setting out a timetable for implementation is drawn up by officers and approved and monitored by the IJB or an appropriate governance committee.	2	An action plan will be developed and presented, with a progress report, to the IJB.	Chief Officer, Chief Finance Officer and Programme Manager 31 October 2016