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**Report To:** Inverclyde Integration Joint Board      **Date:** 10 November 2015

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**Subject:** IJB – AUDIT ARRANGEMENTS

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## 1.0 PURPOSE

- 1.1 The purpose of this report is to present proposals for the audit arrangements of the Inverclyde Integration Joint Board (IJB), including the establishment of a Financial and Audit Committee.

## 2.0 SUMMARY

- 2.1 This paper proposes that the IJB establishes a Financial Performance and Audit Committee. It sets out the proposed composition and draft remit for discussion. The paper also proposes internal and external audit arrangements.

## 3.0 RECOMMENDATION

It is recommended that:

- 3.1 the Integration Joint Board considers the terms of this report;
- 3.2 the Integration Joint Board establishes a Financial Performance and Audit Committee as a standing committee of the Integration Joint Board, the remit and powers of which are set out in Part 5 of this report;
- 3.3 the Integration Joint Board appoints 6 Members to serve on the Financial Performance and Audit Committee, having due regard to the requirements set out in Paragraph 5.3 of this report;
- 3.4 the Integration Joint Board appoints a Chair and Vice-Chair to the Financial Performance and Audit Committee, having due regard to the requirements set out in Paragraph 5.3 of this report;
- 3.5 in the first year of operation, the Financial Performance and Audit Committee will meet on dates within the agreed cycle of meetings commencing in 2016 as follows: 26 January and 10 May, subject to there being business to consider; and

- 3.6 the Integration Joint Board directs the Chief Officer to develop and implement a Service Level Agreement with Inverclyde Council's Chief Internal Auditor in relation to the internal audit arrangement for the Integration Joint Board.

**Brian Moore**  
**Chief Officer**  
**Inverclyde Health & Social Care Partnership**

## 4.0 BACKGROUND

4.1 Audit Scotland has emphasised that health and social care integration requires effective governance arrangements for the new Integration Joint Boards, and that a crucial element of governance is the IJB audit arrangements.

4.2 Under our former CHCP enhanced partnership arrangements, audit was undertaken as part of the existing NHS GGC and Inverclyde Council audit arrangements. Given that the IJB is a separate legal entity (rather than an enhanced partnership), we are required to establish defined audit arrangements. The IJB needs assurance that governance, including financial performance is sound, therefore it is proposed that a Financial Performance and Audit Committee is established to:

- Ensure effective performance management systems are in place to evidence delivery of the organisation's key objectives, including the Strategic Plan.
- Act as a focus for best value and service improvement.
- Establish and review information governance and risk management arrangements.
- Review the annual work programme of internal and external audit.
- Ensure appropriate action is taken in response to audit findings.

4.3 Given the IJB's responsibilities for budget expenditure, best practice within the Scottish Public Finance Manual dictates that an Audit Committee should be established to advise the IJB on internal control (including corporate governance) and audit matters. Such an Audit Committee should:

- Be a formal subcommittee of the IJB.
- Be under the chair of a voting member other than the Chair of the IJB.
- Determine who will provide the internal audit service for the IJB and appoint a Chief Internal Auditor.
- Confirm an external auditor to be met at least once a year.
- Require the Chief Officer, Chief Financial Officer and appointed Chief Internal Auditor to attend meetings (though not as members of the Financial Performance and Audit Committee).
- Have written terms of reference.
- Have a clear programme of work (i.e. an internal audit plan) and arrange its meetings to ensure effective delivery of that programme.

## 5.0 REMIT, MEMBERSHIP AND MEETINGS

### 5.1 Remit

The proposed remit of the committee is to review the overall internal control arrangements of the IJB and make recommendations to the IJB regarding signing of the Governance Statement.

5.2 Specifically the committee will be responsible for the following:

- Ensuring that the Chief Officer establishes and implements satisfactory arrangements for reviewing and appraising financial performance against set objectives, levels and standards of service and the performance indicators.
- Acting as a focus for value for money and service quality initiatives.
- Reviewing and approving the annual Audit Plan on behalf of the IJB, receiving reports, overseeing and reviewing actions taken on audit recommendations and reporting to the Board.
- Monitoring the annual work programme of internal audit.

- Considering matters arising from internal and external audit reports.
- Reviewing on a regular basis action planned by management to remedy weaknesses or other criticisms made by internal or external audit.
- Reviewing risk management arrangements, receiving annual risk management updates and reports.
- Ensuring existence of and compliance with an appropriate risk management strategy.
- Reporting to the IJB on the resources required to carry out performance reviews and related processes.
- Considering annual financial accounts and related matters before submission to and approval by the IJB.
- Ensuring that the senior management team, including heads of service, professional leads and service managers maintain effective controls within their services which comply with financial procedures and regulations.
- Setting its own work programme which will include the right to undertake reviews following input from the IJB and any other committees established by the IJB.
- At its discretion setting up short term working groups for review work, membership of which will be open to anyone whom the committee considers will assist in the task assigned. The working groups will not be decision making bodies or formal committees but will make recommendations to the Financial Performance and Audit Committee.
- Promoting the highest standards of conduct by board members.
- Monitoring and keeping under review the Codes of Conduct maintained by the IJB.
- Having oversight of information governance arrangements as part of the performance and audit process.

### 5.3 Membership

Membership of any committee established by the IJB must comprise an equal number of voting members from both the Health Board and the Council. It is proposed that the membership comprise 4 IJB voting members (2 from the Health Board and 2 from the Council) with an additional 2 members drawn from the wider non-voting membership of the Integration Joint Board (i.e. a minimum of six members). Once established, it will be open to the committee to appoint additional co-opted members as it considers appropriate.

It is important that the Financial Performance and Audit Committee be able to demonstrate the appropriate level of scrutiny. Recognising that the chair of the IJB cannot be the chair of the Financial Performance and Audit Committee, it is further proposed that if the chair of the IJB is an NHSGGC Non Executive Member then the chair of the Financial Performance and Audit Committee be an Inverclyde Council Elected Member and vice versa.

Three members of the Financial Performance and Audit Committee will constitute a quorum.

### 5.4 Attendance at meetings

In addition to the members of the committee, those persons in attendance at meetings will vary but in general will include the Chief Officer, the Chief Financial Officer, the Chief Internal Auditor and other professional advisors and senior officers as required. External audit or other persons shall attend meetings at the invitation of the Committee.

## 5.5 Meeting Frequency

The Financial Performance and Audit Committee will meet at least three times each financial year. There should be at least one meeting a year, or part thereof, where the committee meets the external and Chief Internal Auditor without other senior officers present.

## 6.0 **AUDIT ARRANGEMENTS**

- 6.1 The national Integrated Resources Advisory Group Guidance recommends that:
- The internal audit service should be provided by one of the internal audit teams from the Health Board or Local Authority (para 2.4.7).
  - The Chief Internal Auditor from the Health Board or Local Authority undertake this role for the Integration Joint Board in addition to their role as Chief Internal Auditor of their respective organisation (para 2.4.8).
- 6.2 Following discussion between the Chief Financial Officer, the Health Board Director of Finance and the Council Section 95 Officer it is proposed that the internal audit service for the Integration Joint Board be provided by Inverclyde Council internal audit and that the Council's Chief Auditor be appointed as Chief Internal Auditor for the Integration Joint Board.
- 6.3 It has been confirmed that the Accounts Commission is responsible for appointing external auditors for Integration Joint Boards and the Accounts Commission has appointed Audit Scotland to undertake this role. These appointments are for 1 year only as 2015/16 is the final year in the current round of audit appointments. New 5-year appointments will be made from 2016/17.
- 6.4 It should be noted that Audit Scotland have separately begun a national performance audit looking at the integration of health and social care services and are leading on an assessment of the progress made in implementing the reforms, working closely with the Care Inspectorate and Healthcare Improvement Scotland.

## 7.0 **FINANCE AND EFFICIENCY**

- 7.1 The proposed Financial Performance and Audit Committee will scrutinise the financial and efficiency performance and reporting on behalf of the Integration Joint Board.

The Chief Financial Officer will be responsible for providing assurance on the system of internal financial control to the Financial Performance and Audit Committee on behalf of the Health Board and Council. That system of internal financial control will be based on a framework of regular management information, Financial Instructions, administrative procedures (including segregation of duties), management and supervision and a system of delegation and accountability. In doing this the Chief Financial Officer will be reliant on both the Health Board and Council's systems of internal control.

- 7.2 Costs for external audit are not yet quantified, but anticipated to be no more than £5,000 per year. The Public Bodies (Joint Working) (Scotland) Act 2014 and its associated guidance propose that internal audit services should be provided by one of the parent bodies on a donated basis.

## 8.0 PROPOSALS

- 8.1 It is proposed that the IJB should create a Financial Performance and Audit Committee, and agree the remit and powers as set out in the report. It is also proposed that the IJB should agree the composition of the committee and appoint members, and should direct the Chief Officer to develop and implement a Service Level Agreement with the Council's Chief Internal Auditor agreeing the scope of internal audit activity and functions in relation to the IJB.

## 9.0 IMPLICATIONS

### Finance:

- 9.1 Costs for external audit are not yet quantified, but anticipated to be no more than £5,000 per year. The Public Bodies (Joint Working) (Scotland) Act 2014 and its associated guidance propose that internal audit services should be provided by one of the parent bodies on a donated basis.

### Financial Implications:

#### One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

#### Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From (If Applicable)	Other Comments
N/A					

### Legal:

- 9.2 Standing Order 13 of the IJB's Standing Orders for Meetings regulates the establishment by the IJB of the Financial Performance and Audit Committee.

### Human Resources:

- 9.3 There are no human resources implications in respect of this report.

### Equalities:

- 9.4 Has an Equality Impact Assessment been carried out?

	YES (see attached appendix)
√	NO - This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

## **10.0 LIST OF BACKGROUND PAPERS**

10.1 Scottish Public Finance Manual 2011.