

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	29 September 2015
DIRECTOR	N/A
TITLE OF REPORT	Internal Audit – Health and Social Care Integration
REPORT NUMBER	N/A
CHECKLIST COMPLETED	Yes

1. PURPOSE OF REPORT

- 1.1 In May 2015 the Scottish Government issued final guidance for Integration Financial Assurance. This report advises the Committee of proposed arrangements regarding the provision of assurance in relation to Health and Social Care Integration.

2. RECOMMENDATIONS

2.1 The Committee is requested to:-

- 2.1.1 **Note the Scottish Government's guidance for integration financial assurance and the requirement this places on Audit Committees within each of the partner bodies, and subsequently on Integration Joint Boards (IJBs) when established;**
- 2.1.2 **Note the ongoing work between NHS Grampian, Aberdeen City, Aberdeenshire and Moray Councils and the Shadow IJBs to develop working arrangements, consistency of approach through each organisation's 2015/16 Internal Audit Plan, and the establishment of a local audit network;**
- 2.1.3 **Approve the adjustment to the 2015/16 Internal Audit Plan to include the review of Health and Social Care integration, as outlined in Appendix 2, in the third quarter of 2015/16;**
- 2.1.4 **Approve the sharing of future internal audit reports related to Health and Social Care Integration with NHS Grampian and local authority partners and the IJBs, on a reciprocal basis.**

3. FINANCIAL IMPLICATIONS

- 3.1 There are no financial implications arising as a result of this report.

4. Discussion

- 4.1 In May 2015 the Scottish Government issued final guidance for Integration Financial Assurance. This has been included as Appendix 1 to this report.

4.2 The guidance places specific requirements on the Audit Committees of partner organisations as follows:

4.3 Pre Integration – shadow period

4.3.1 Audit Committees are required to obtain assurance on the following:

- The finance provisions to be included in the integration scheme;
- The plans for financial governance and financial assurance and risk;
- That lessons have been learned from other integration projects; and
- That the financial metrics to be used in future to assess whether integration has met its objectives have been identified and that a process for obtaining baseline data is in place.

4.3.2 The guidance recommends that Audit Committees are provided with a report on the assurance work carried out by the Health Board and Local Authority. This report is to be produced jointly by the Health Board and Local Authority Chief Internal Auditors and should be available sufficiently in advance of delegation of functions and resources to allow consideration by the Audit Committees. This assurance report is also to be shared with the Audit Committees of the IJBs, when established.

4.4 Post Integration

4.4.1 The Audit Committee of each IJB, when established, is required to:

- Review the finance provisions included in the integration scheme to ensure that they enable the IJB to carry out its functions;
- Formally assess whether the resources to be made available to the IJB are adequate for it to deliver its objectives and that the associated risks and assumptions are reasonable and clearly understood;
- Ensure that the respective risk management arrangements have been updated to incorporate the risks introduced by integration.
- The guidance also recommends that the Audit Committees of each partner organisation and the IJBs are provided with a post integration report within the first year of establishment of the IJBs. This report should include the following:
- An evaluation of the actual risk and financial performance against the pre-integration assumptions;
- An assessment of performance against relevant integration milestones;
- Lessons learned; and
- An assessment of whether the IJB is on course to deliver the long term benefits.

4.5 Proposed approach

4.5.1 The requirements of the Scottish Government guidance were considered at a recent meeting attended by representatives of the Internal Audit functions of all three Councils and NHS Grampian.

4.5.2 The need for joint reporting, and coordinated action to ensure consistency of approach and avoid duplication of effort was discussed. Although there is generally no issue with sharing audit reports for information, there can be issues where an organisation other than the body for which the audit was performed seeks to draw assurance from those reports, as they will not have been prepared with a wider audience in mind. In agreeing to share the audit reports, and developing a shared approach, in advance, it is intended to avoid this issue as far as possible.

- 4.5.3 The guidance requires 'due diligence' to be exercised. This is a widely used phrase with a particular application in the world of finance and commerce and implies a level of in depth legal scrutiny on the history and standing of a company carried out prior to entering a contractual relationship. It is instead considered by the group that the proposed audit activity should seek to provide 'reasonable assurance' over the integration process, as is provided over other audited areas within each organisation.
- 4.5.4 There is a requirement for the IJB Audit Committees to formally consider whether the resources are adequate for it to deliver its objectives. The audit process focuses on the effectiveness of the internal control processes. Whilst audit assurance can be provided in terms of process and accuracy of information available to support decision making it would be outwith the professional scope of audit opinion to comment on the adequacy of available resources. In this context therefore the requirement is subjective and dependant on the individual skills of audit committee members to interpret the available management information.
- 4.5.5 The group have recommended the following approach is adopted:

Short term - 2015/16

- Each individual organisation will build sufficient capacity in to their internal audit plan for a review of integration arrangements from their own organisation's perspective. Time has already been built into the Council's Internal Audit Plan for 2015/16, as agreed by the Committee on 26 February 2015;
- Each organisation will carry out the audit in line with a scope jointly agreed by the Audit Committee's of the four partner organisations (NHS Grampian, Aberdeenshire Council, Aberdeen City Council and Moray Council) (See Appendix 2);
- The shadow IJB Chief Officers will also be asked to inform development of the scope;
- Each partner organisation will make arrangements and ensure that the appropriate approvals are in place to share the results of their review with each of the other organisations and that each organisation can use the report as a source of assurance;
- Each audit will be complete by November 2015 with all four reports to be available for consideration at the December, or nearest, Audit Committee of each partner organisation;
- Following consideration by each of the partner Audit Committees the four reports will then be shared with the Audit Committees of the IJBs;

Longer term

- Establishment of a local audit and assurance network to include representation from internal and external auditors and from officers involved in the management of audit and financial governance arrangements for each partner organisation and the three IJBs;
- The function of the audit network should be to act as a source of advice and guidance supporting the development of audit and assurance arrangements for the IJB's and to ensure efficient co-ordination of audit and counter fraud activity on an ongoing basis between the partner organisations and the IJBs;
- The exact role and remit of the audit network is to be agreed by the Audit

- Committees of each organisation and the IJBs, when established;
- The audit network should be tasked with the development of a local framework to guide audit and assurance, including counter fraud, activity relating to integration within Grampian and to develop an action plan to meet the specific requirements of the guidance on integration financial assurance published by the Scottish Government.

4.6 Risk Mitigation

- 4.6.1 The suggested approach is intended to meet the initial pre-integration requirements of the Scottish Government guidance on integration financial assurance through effective co-ordination of internal audit activity in line with a jointly agreed scope for 2015/16. Longer term, without collaboration, there is a risk of audit and assurance arrangements becoming inefficient and costly to implement. The establishment of a Grampian audit network will ensure that there is common agreement on key principles and effective co-ordination of audit and assurance activity across organisations, delivering best value in line with Scottish Government policy and guidance.

5. REPORT AUTHOR DETAILS

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Appendix 1

Appendix 2

Draft Scope

Health and Social Care Integration

Internal Audit will carry out work to provide assurance over:

Governance

- Clear, strong and effective governance controls exist for the establishment of the Integrated Joint Board's (IJBs) ensuring that lessons learned from other projects have been considered and there is appropriate representation from each of the Councils and NHS Grampian.
- IJBs will be established to a pre-agreed programme plan and in line with Scottish Government guidance and legislative requirements.
- A risk management strategy has been agreed with all risks assigned owners.

Financial Provisions

- A clear, agreed framework exists detailing the budgets to be devolved for each area of service that the IJB will take responsibility for including detailed assumptions, savings (recurring and non-recurring), efficiencies and scenario planning.
- Baseline budget information agrees to underlying records (where possible) and is calculated in line with Scottish Government guidance.
- Confirm that all parties have had sight of relevant budget information from the other party and the underlying process for deciding them.
- Confirm that all budgets to be devolved have been appropriately approved.

Monitoring Arrangements

- Robust financial performance monitoring arrangements are in place including a prescribed process for identifying and analysing variances and deciding the correct course of action
- Appropriate financial metrics have been identified to assess whether integration has met its objectives