

Agenda Item

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**Minute of meeting of the Audit Committee held within the Committee Suite,
Municipal Buildings, Falkirk on Thursday 27 June 2019 at 8.30 a.m.**

Voting Members: Allyson Black (Vice-Chair)
Alex Linkston (Chair)

**Non –voting
Members:** Robert Clark, NHS Staff Representative
Jen Kerr, Third Sector Interface

Also Attending: Jack Frawley, Committee Services Officer, Falkirk Council
Tony Gaskin, Chief Internal Auditor
Lesley James, Depute Chief Social Work Officer
Colin Moodie, Chief Governance Officer, Falkirk Council
Gordon O'Connor, Internal Audit Manager, Falkirk Council
Grace Scanlin, Ernst & Young (External Audit)
Amanda Templeman, Chief Finance Officer

AC1. Apologies

There were no apologies.

AC2. Declarations of Interest

There were no declarations of interest.

AC3. Minute

Decision

The Minute of Meeting of the Audit Committee held on 28 March 2019 was approved.

AC4. Annual Internal Audit Report 2018/19

The committee considered a report by the Chief Governance Officer presenting as an appendix the annual internal audit report for financial year 2018/19. The report summarised the internal audit activity carried out during 2018/19. Included within the report was a list of 8 findings each of which was accompanied by an audit recommendation, priority, management response/action and action by/date.

The committee discussed the importance of getting governance right for joint teams. Discussion highlighted the lack of capacity and need to address that quickly. There was also discussion on the need for accountabilities to be made clear between the IJB, the Partnership and the Council and Health Board. There was agreement that further work should be undertaken to achieve this end.

Decision

The committee noted the internal audit report for financial year 2018/19.

AC5. Falkirk IJB 2018/19 Unaudited Annual Report and Accounts

The committee considered a report by the Chief Finance Officer presenting the 2018/19 unaudited annual accounts of the IJB for consideration.

The Local Authority Accounts (Scotland) Regulations 2014 (the Regulations) require the IJB to submit the unaudited annual accounts for the financial year ended 31 March 2019 to the Auditor by the statutory deadline of 30 June 2019. Under the Regulations, a Committee of the IJB, whose remit includes audit and governance functions, must meet to consider the unaudited annual accounts. The Regulations also require that the IJB gives public notice of the rights of individuals to inspect the unaudited accounts within a specified period. Individuals may lodge an objection to the unaudited accounts, or to any part of the accounts. The statutory three week public inspection period would commence on 27 June following public notice on 6 June.

The Falkirk Integration Joint Board Unaudited Annual Accounts 2018/19 were provided as an appendix to the report.

Decision

The committee:-

- (1) considered and noted the unaudited annual accounts;**
- (2) noted the public inspection period, and**
- (3) noted that the unaudited annual accounts would be submitted to the IJB's External Auditor by the statutory deadline of 30 June 2019.**

AC6. Internal Audit Plan 2019/20

The committee considered a report by the Chief Internal Auditor presenting the 2019/20 Internal Audit Plan for approval.

The Internal Audit service was provided jointly by Falkirk Council and Fife, Tayside, and Forth Valley NHS Internal Audit Consortium. Chief Internal Auditor responsibility rotated on a three yearly basis and, from 1 April 2019, fell to Falkirk Council's Internal Audit Manager. Resourcing of the team would continue to be shared between the two organisations. Internal Audit's role was to provide a balanced and evidence based opinion on the adequacy of the IJB's arrangements for risk management, governance, and control.

For 2019/20 Internal Audit would deliver the following two main assignments:-

- Carers (Scotland) Act 2016 and Participation and Engagement Strategy Arrangements, and
- Medium Term Financial Planning.

The Plan was developed taking account of key financial and other risks including consideration of the IJB's Strategic Risk Register and consultation with the Chief Officer and Chief Finance Officer. For each assignment, a more detailed Terms of Reference would be agreed with the Chief Officer and Chief Finance Officer prior to the commencement of fieldwork.

On completion of each review, Internal Audit would issue a draft report to the Chief Officer and Chief Finance Officer. This would include an opinion on the adequacy of risk management, governance, and control arrangements in the area under review, and an action plan setting out any recommendations for improvement. Where Internal Audit made recommendations, the Chief Officer was required to provide formal responses (including action dates). The report and completed action plan would then form the final record of the assignment.

Progress on the 2019/20 Internal Audit Plan would be reported to Audit Committee throughout the year. On an annual basis, an Internal Audit Assurance Report would be presented to the Audit Committee. This would give an overall opinion on the IJB's risk management, governance, and control arrangements, based on the work Internal Audit had carried out over the course of the year.

Decision

The committee:-

- (1) approved the Internal Audit Plan for 2019/20, and**

- (2) noted that progress will be reported to the Audit Committee on an ongoing basis.

AC7. Strategic Risk Register

The committee considered a report by the Chief Finance Officer presenting a Strategic Risk Register (SRR) and an update on risk management arrangements along with future work in respect of risk.

Within the Integration Scheme two sections were of most relevance:-

- 13.2 The Parties will commit all necessary resources to support risk management by the Integration Joint Board.
- 13.10 The Parties will support the Integration Joint Board to:
- a) establish risk monitoring and reporting as set out in the risk management framework; and
 - b) maintain the risk information and share with the Parties within the timescales specified.

The high level SRR was provided as an appendix to the report which was refreshed with a different approach taken to the identification of risk. Lead Officers had been identified for each risk and completed a detailed risk matrix. This involved setting out an assessment of the likelihood of the risk materialising as well as mitigating actions that were in place or would be developed. The committee would receive an update of the SRR at each meeting.

Work would continue to further embed risk management into the work of the IJB. This would include:-

- Linking the SRR to the other work being undertaken across the IJB, for example the delivery plan, audit work and self evaluation action plan resulting from the Ministerial Strategic Group exercise.
- Mapping the SRR to each Partners' Corporate Risk Register, ensuring an improved awareness and escalation of risks across the Partnership.
- Development of a risk appetite statement, or guiding principles, on when risks could be accepted, or where further mitigation was required. This could build on best practice from the Good Governance Institute.
- Having a development session the IJB board members and key officers.

The committee asked why delayed discharge was not identified as a risk, especially in the context of worsening performance. The Chief Finance Officer stated that the points from the last meeting of the committee

related to unscheduled care and were not explicitly separated off in the report. She stated that she would ensure that once the detail was pulled out delayed discharge would be wrapped up in the unscheduled care element. She would take the matter to the next partnership leadership forum where risk was a standing item.

Decision

The committee noted the:-

- (1) detailed Strategic Risk Register and agreed that it was presented to the IJB in September 2019, and**
- (2) update on risk managements arrangements and the risk related work planned for 2019/20.**

AC8. Governance Action Plan

The committee considered a report by the Chief Finance Officer presenting an update on the Governance Action Plan for the Falkirk IJB.

Guidance produced by the Integrated Resources Advisory Group stated that the IJB had responsibility for reviewing the effectiveness of governance arrangements including the system of internal control. The 2016/17 Annual Internal Audit Report recommended that a governance action plan, setting out a timetable for implementation, should be prepared and approved and monitored by the IJB or Audit Committee. It was agreed that an update on the governance action plan would be presented to the Audit Committee on a six monthly basis.

A review on the progress of the integration of health and social care services was completed by a Leadership Group led by the Ministerial Strategic Group (MSG) and the Convention of Scottish Local Authorities (COSLA). The purpose of the review was to help ensure there was an increase in pace in delivering all of the integration principles and national health and wellbeing outcomes. The proposals produced by the MSG and a self evaluation template focussed on 6 areas which Audit Scotland identified as being critical to support integration. These were:-

- Collaborative leadership and building relationships
- Integrated finances and financial planning
- Effective strategic planning for improvement
- Agreed governance and accountability arrangements
- Ability and willingness to share information
- Meaningful and sustained engagement

In terms of next steps as there was a clear overlap between the areas included in the governance action plan and the proposals set out in the MSG self evaluation template. It was proposed that each area of the current governance action plan was treated as follows:-

Corporate Governance	Part of MSG action plan
Audit	Action points complete – no further action required
Planning & Performance	Actions mainly complete – remainder within MSG action plan
Clinical & Care Governance	Separate arrangements now in place; Clinical & Care Governance Committee has oversight of the framework etc.
Financial Governance	Part of MSG action plan
Risk Management	Audit Committee receiving, and will continue to receive, quarterly update reports on progress; no further action required
Information Management	Action points complete – no further action required

Decision

The IJB Audit Committee:-

- (1) noted the contents of the report, and**
- (2) agreed that the action plan flowing from the self evaluation template required by the Ministerial Strategic group would replace the Governance Action Plan.**

AC9. National Audit and Inspection Report Overview

The committee considered a report by the Chief Finance Officer providing an overview of the national reports published in the last six months and presented a process for ensuring that national reports were considered by the IJB and/or a relevant committee.

The report advised that some national reports may need to be considered in a range of places e.g. Care Inspectorate Reports by the IJB as well as the Clinical and Care Governance Committee (CCGC). However, it was important that as a minimum all national reports were

noted and where appropriate action plans developed and monitored. It was proposed that a National Audit and Inspection Report Overview paper became a standing item at each audit committee. The report would list all of the relevant papers issued in the last quarter and set out the reporting route for the paper. Where reports were not considered by the IJB or CCGC, a summary of the reports would be included in the overview paper.

A summary of the following recent reports was provided:-

- Audit Scotland – Local government in Scotland: Financial Overview 2017/18;
- Audit Scotland – Local Government in Scotland: Challenges and Performance 2019;
- Audit Scotland – General Medical Services Contract in Scotland: A Short Guide, and
- Audit Scotland – Drug & Alcohol Services: An Update.

Decision

The committee:-

- (1) noted the contents of the report, and**
- (2) approved the process for reviewing national reports.**

AC10. Social Work in Scotland - Impact Report

The committee considered a report by the Chief Social Work Officer providing an update on the content and recommendations from the Accounts Commission impact report on Social Work in Scotland.

The Accounts Commission published its national report “Social Work in Scotland” on 22 September 2016 which highlighted that Councils in Scotland spent £3.1 billion on Social Work services, and that current approaches to providing services would not be sustainable in the longer term.

The report contained 22 recommendations and sub-recommendations for Councils and Integration Joint Boards, as follows:-

- a) Instigate a frank and wide-ranging debate with their communities about the longterm future for Social Work and social care in their area to meet statutory responsibilities, given the funding available and the future challenges.

- b) Work with the Scottish Government, their representative organisation (the Confederation of Scottish Local Authorities (COSLA) or the Scottish Local Government Partnership (SLGP), Social Work Scotland and other stakeholders to review how to provide Social Work services for the future and future funding arrangements.
- c) Develop long-term strategies for the services funded by Social Work by:-
 - carrying out a detailed analysis of demographic change and the contribution preventative approaches can make to reduce demand for services;
 - developing long-term financial and workforce plans;
 - working with people who use services, carers and service providers to design and provide services around the needs of individuals;
 - working more closely with local communities to build their capacity so they can better support local people who may be at risk of needing to use services;
 - consider examples of innovative practice from across Scotland and beyond; and
 - working with the NHS and Scottish Government to review how to better synchronise partners' budget setting arrangements to support these strategies.

Within the impact report there was a progress update provided in relation to the implementation of all recommendations within the 2016 report. This was a national progress update and largely presented a view that some progress was evident but there was more to do across all recommendations. This was reflective of the position locally in Falkirk. The committee was invited to consider whether to undertake a local position and evaluate progress against the recommendations.

Decision

The committee:-

- (1) noted the contents of the Account's Commission's impact report "Social Work" in Scotland, attached as appendix 1 to the report and in particular the key messages and recommendations, and**
- (2) agreed that it would benefit from a self-assessment of local progress against the recommendations and requested that this was presented to a future meeting.**

AC11. How Councils Work – Safeguarding Money

The audit committee considered a report by the Chief Finance Officer presenting the key messages from the Accounts Commission's "Safeguarding public money: are you getting it right?" report published in April 2019.

The report reinforced the importance of having effective internal controls. The complex and challenging financial environment meant that difficult decisions were required to allocate resources. The report emphasised that understanding the impact of these decisions "requires an organisational culture that is open to candid discussions about risks and recognises the importance of scrutinising decisions".

The report covered three sections:-

- Part 1 – Internal controls help councils to manage risk
- Part 2 – Weak controls can have serious consequences
- Part 3 – Officers and councillors both have important roles

Checklists to help board members think about the control areas highlighted in the report, for example Audit Committee and Internal Audit were included as an appendix to the report.

Decision

The committee noted the report.