

Agenda Item

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Draft

Minute of meeting of the Audit Committee held within the Board Room, Denny Town House on Monday 23 September 2019 at 9.30 a.m.

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

Non – voting Members: Robert Clark (NHS Staff Representative)

Also Attending: Patricia Cassidy, Chief Officer
Karen Chambers, Committee Services Officer, Falkirk Council
Sara Lacey, Chief Social Work Officer
Colin Moodie, Chief Governance Officer
Gordon O'Connor, Internal Audit Manager, Falkirk Council
Grace Scanlin , Ernst and Young (External Audit)
Steven Reid (Ernst and Young) (External Auditor)
Amanda Templeman, Chief Finance Officer
Scott Urquhart, Director of Finance

AC12. Apologies

An apology was intimated on behalf of Jen Kerr.

AC13. Declarations of Interest

There were no declarations of interest.

AC14. Minute

Decision

The minute of the meeting of the Audit Committee held on 27 June 2019 was approved.

AC15. Falkirk IJB 2018/19 Audited Annual Accounts

The committee considered a report by the Chief Officer presenting the Audited Accounts of the Falkirk Integration Joint Board (IJB) for the year to 31 March 2019.



The annual accounts of the IJB had been audited and were included as appendix 1 to the report. The auditor's certificate was free from qualification. The findings had been considered as part of the External Auditor's Annual Report.

Copies of the accounts had been posted on the NHS Forth Valley and Falkirk Council websites and their availability advertised in the local press.

Decision

The committee agreed the Audited Annual Accounts of the Falkirk IJB to 31 March 2019, prior to consideration by the IJB.

AC16. 2018/19 Annual Audit Report to the Integration Joint Board and the Controller of Audit

The committee considered a report by the Chief Officer presenting the key messages coming out of Ernst & Young's 2018/19 Annual Audit Report to the Integration Joint Board and the Controller of Audit.

The Chief Finance Officer gave a summary of the key findings. The unaudited accounts had been considered by the Audit Committee on 27 June 2019 and passed to Ernst & Young by the deadline for submission of 30 June. Ernst & Young had completed their audit of the financial statements and issued an Auditor's Certificate which was free from qualification.

The Chief Finance Officer referred to the Executive Summary: Key Conclusions which showed three red ratings in respect of Financial Sustainability, Governance and Transparency and Value for Money. There had been one amber rating in regard to Financial Management.

A number of improvement actions had been identified as part of the wider scope audit work covering Financial Sustainability, Financial Management, Governance and Transparency and Value for Money.

Due to time constraints the action plan had not been finalised and the Chief Finance Officer advised time was required to obtain a collaborative response. It would then be submitted to the committee on 16 December 2019.

The External Auditor summarised the Annual Audit Report to Members and the Controller of Audit.

A key issue was in relation to Financial Management (which had been assessed as an amber rating). The IJB had relied on non-recurring funding to deliver a £19,000 surplus in 2018-2019, including transfers from reserves and £2.7 million in additional contributions from NHS Forth Valley to meet overspends on health services. Given the timing of late transfers however,

there had been insufficient transparency about spending and the impact of priority area of investment from partners during the year.

During 2018/19 the IJB had reported a deficit in the cost of delivering services of £1.4 million and additional funding had been required from NHS Forth Valley for the third consecutive year of the partnership.

The External Auditor highlighted that while the short term risk sharing agreement ensures that partner bodies would meet the costs of significant overspends, this approach meant that expenditure continued to be monitored based on organisational boundaries, rather than in support of the objectives of integration in the longer term. A more robust approach to financial planning and management was therefore required.

In relation to Financial Sustainability the External Auditor highlighted that the IJB did not yet have key strategies in place to support the delivery of the Strategic Plan, including the Medium Term Financial Plan and integrated Workforce Plan.

Only 61% (£2.6 million) of planned savings had been realised in 2018/19. A funding gap of £5.2 million had been identified for 2019-20 but it was currently unclear how NHS Forth Valley would deliver its share of savings.

The Board had been advised on 7 June 2019 (ref IJB5) that the IJB had not yet been able to change the balance of care in the way envisioned both by the Strategic Plan and the legislation that created IJBs. Areas of overspend had been identified in residential, traditional care including hospital stays, while priority areas of investment in the community such as the Alcohol and Drugs Partnership and allied health professionals were underspent. The Chief Finance Officer concluded that this pattern of spend suggested that the resources available to the IJB were not being used effectively to deliver the outcomes of the Strategic Plan.

The External Auditor then explained that a draft Medium Term Financial Plan (MTFP) had been presented to the board on 5 October 2018 (ref IJB 246) but delays in co-ordinating agreements on health services with Stirling and Clackmannanshire IJB meant that the MTFP was not yet in place. The IJB's most recent Workforce Plan 2016-2019 was now out of date and required to be refreshed. Additionally no reports had been submitted to the IJB on the progress and outcomes of the previous plan.

In relation to Governance and Transparency, the External Auditor advised that while some progress had now been made on implementing integrated structures the pace of change remained slow and a number of key governance processes that were required to support integration had not been completed.

The External Auditor then addressed the Pace of Improvement and noted that progress against the recommendations made in 2017/18 had been very limited. In the most recent monitoring report to the Audit Committee, on 19 November 2018 (ref AC28), only 8 of the 28 actions had been completed with a further one on course for completion. In the view of the Auditor, the pace of integration had fallen significantly short of the expectations set out in the legislation. Committed and collaborative leadership was required from all partners to ensure that the vision set out in the Strategic Plan could be achieved.

In relation to the red rating given in respect of Value for Money, the Annual Performance Report had been published by 31 July 2019, in line with legislation, but substantial data gaps meant that it was difficult to assess whether the IJB was delivering best value. The IJB's performance against 90% of the indicators areas had deteriorated during 2018/19. The IJB was not currently able to demonstrate either that it was achieving best value or the impact of integration.

Councillor Black said it was a disappointing report but a realistic one and Appendix D: Action Plan highlighted the issues to be addressed. She acknowledged the hard work and dedication which had been put in to date but stressed that the Board need to take on board the recommendations to achieve transformational change.

The Director of Finance stated that NHS Forth Valley had identified a need for a dedicated risk management resource and a Risk Manager would be recruited soon.

The Chair stated that it was unacceptable to have three red ratings. Three months was too long to wait for an update. He requested that a detailed action plan be prepared (with clear timescales) within a month in order that the Board are satisfied that steps are being taken to resolve matters. This should be submitted the committee in December. It must be a priority to ensure red ratings are not awarded next year. The Chair also stated that the Board need to ensure resources were applied to what needs to be done.

The Chief Officer confirmed that one plan would cover the work they are doing. This plan lays down a number of challenges and officers will do what they can to facilitate the plan.

Decision

The committee noted the report and the completed action plan at appendix 1 to the report.

AC17. Risk Management Arrangements

The committee considered a report by the Chief Officer presenting an updated Strategic Risk Register.

The high level Strategic Risk Register (SRR) had been due to be presented to the IJB in September however it would now be submitted to the next meeting.

The high level SRR was provided as appendix 1 to the report with appendix 2 providing Risk Details and contained 10 risks. The Audit Committee on 27 June 2019 (ref AC7) had agreed to reframe risk 8 which now no longer focussed on unscheduled care but instead considered the impact of whole systems transformation.

Section 5 of the report set out the steps to be taken in 2020 to better embed risk management into the IJB's everyday business. These were:-

- 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 Partner's 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 would build on best practice from the Good Governance Institute;
- Holding a development session with the IJB board members and key officers.

The committee was concerned that some of the risks were significant. There was discussion regarding risk 8 - whole systems transformation around on delays in discharge of patients and whether there should be a strategy to deal with delayed discharge in order that the figure would not worsen. The Chief Finance Officer confirmed that the SRR was a strategic level document.

In response to comments made by the committee in respect of the delayed discharge of patients, the Chief Officer stated that performance had remained static. There had been a 6.2% increase in attendances at the hospital but performance had not deteriorated.

The appointment of a new Director of Acute Services would deliver improvements.

Decision

The committee agreed to:-

- (1) additional assurance, where necessary, on the IJB's framework of risk management, governance, and control; and**
- (2) refer the report to the IJB, for consideration and approval of the Strategic Risk Register.**

AC18. IJB Audit Committee Programme of Meetings and Workplan 2020

The committee considered a report by the Chief Finance Officer providing a draft programme for 2020, along with an indicative workplan for the year ahead.

Councillor Black confirmed she would be unable to attend the meeting on 26 June 2020 and it was agreed an alternative date would be found. It was noted the meeting would require to be considered before 30 June 2020.

Decision

The committee agreed:-

- (1) the proposed timetable of meetings for 2020 subject to an alteration to the meeting to be held on 26 June 2020, and**
- (2) the indicative workplan for 2020.**

AC19. National Audit and Inspection Overview

The committee considered a report by the Chief Finance Officer providing an overview of the national reports published in the last six months.

A summary of the following recent reports was provided:-

- Mental Welfare Commission for Scotland- Announced visit to Wards 4 and 5 FVRH;
- Mental Welfare Commission for Scotland- Announced visit to Lochview;
- Audit Scotland- Planning for Outcomes Briefing;
- Audit Scotland – Fraud and irregularity update 2018/2019;
- Strategic Scrutiny Group- Principles for community empowerment;
- Audit Scotland- NHS workforce planning – part 2.

Decision

The committee noted the report.