

**Minute of Meeting of the
East Renfrewshire
Integration Joint Board
Performance and Audit Committee
held at 9.00am on 27 September 2017 in
the Council Offices, Main Street,
Barrhead**

PRESENT

Morag Brown, NHS Greater Glasgow and Clyde Board (Chair)

Councillor Caroline Bamforth	East Renfrewshire Council
Janice Cameron	Integration Lead, Independent Sector
Anne Marie Kennedy	Non-voting IJB member
John Matthews	NHS Greater Glasgow and Clyde Board

IN ATTENDANCE

Ian Arnott	Finance Business Partner, HSCP
Lesley Bairden	Chief Finance Officer
Eamonn Daly	Democratic Services Manager (East Renfrewshire Council)
Morven Fraser	Audit Scotland
Liz Lyon	Senior Auditor (East Renfrewshire Council)
Candy Millard	Head of Strategic Services
Julie Murray	Chief Officer
Paul Stoller	Audit Scotland
Frank White	Head of Health and Community Care

APOLOGIES

Councillor Barbara Grant	East Renfrewshire Council
Councillor Paul O'Kane	East Renfrewshire Council

DECLARATIONS OF INTEREST

1. There were no declarations of interest in terms of Standing Order 9.2 – Codes of Conduct and Conflicts of Interest.

MINUTE OF PREVIOUS MEETING

2. The committee considered and approved the Minute of the meeting of 28 June 2017.

MATTERS ARISING

3. The committee considered a report by the Chief Officer providing an update on progress regarding matters arising from the discussions which took place at the meeting of 28 June 2017.

With regard to the HSCP Annual Performance Report that had been considered by both the IJB and East Renfrewshire Council, the Chief Officer undertook to establish whether there were any proposals for HSCP performance reports to be similarly considered by the Health Board.

The committee noted the report and the additional information.

STRATEGIC RISK REGISTER UPDATE

4. The committee considered a report by the Chief Officer providing an update on the Integration Joint Board Strategic Risk Register.

Having set out the risk matrix used to calculate risk scores, the report then provided further details in respect of those areas considered to be high risks, these being supported by additional information provided by the Head of Strategic Services.

Further discussion took place in the course of which the Chief Officer reported on some concerns expressed by local GPs in relation to primary care capacity, particularly in light of the amount of housebuilding in the area. Discussions were taking place with the planning service in an effort to identify future demand and plan accordingly, although it was highlighted that practices in the Mearns area were already reaching capacity. She also highlighted that increased houses in the area also had an impact on community health and care services and that every effort was being made to ensure that the population increases were reflected in future financial settlements, although it was recognised that there tended to be a lag in increased funding being provided to reflect demographic changes.

Full discussion also took place on issues around workforce planning in the course of which the current practice of recruiting staff on a temporary basis was explained. It was acknowledged that there was always a balance to be struck between services provided and available funds, and recognised that only employing staff on temporary contracts did have an inevitable effect on the quality of staff employed.

The committee noted the report.

INTERNAL AUDIT ANNUAL REPORT 2016/17

5. The committee considered a report by the Chief Auditor, East Renfrewshire Council, relative to the Chief Officer's Annual Report for 2016/17 which contained an independent opinion on the adequacy and effectiveness of the internal controls operating within the IJB. A copy of the Chief Auditor's Annual Report accompanied the report as an appendix.

The report explained that in summary, the Annual Report concluded that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in the year ended 31 March 2017.

Mrs Lyon, Senior Auditor, was heard further on the report to the effect that internal audit were satisfied that the required financial assurance and governance arrangements were in place. However she referred to an issue in relation to control failures in the Council's Creditors Section which had led to a number of duplicate or erroneous payments across all Council departments including the HSCP, and to fraudulent requests to change bank details which had resulted in 2 valid invoices being paid into the fraudulent accounts. These were identified by the bank and the funds repaid.

Commenting on the issue the Chief Financial Officer highlighted that the control issues had been within the Council, that the HSCP related invoices were for non-care related items and that this demonstrated the effectiveness of the CareFinance system. The Chief Financial Officer also confirmed the fraudulent attempts to change bank accounts did not relate to HSCP providers.

Welcoming the information regarding the effectiveness of the CareFinance system, Ms Brown stated the importance of not only having control measures in place but also that they were used correctly by staff.

Thereafter the committee:-

- (a) noted the contents of internal audit's annual report; and
- (b) noted the annual statement on the adequacy of internal control and the conclusion that the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2016/17.

EXTERNAL AUDIT ANNUAL REPORT 2016/17

6. The committee took up consideration of the external audit annual report for 2016/17, which summarised the findings arising from the 2016/17 audit of the IJB.

The report provided a number of key messages including that the auditor's report was unqualified; that the IJB had appropriate and effective budgetary processes in place; that an underspend of £3.2 million had been returned for 2016/17 including a planned contribution to reserves of £1.95 million; that the IJB should prioritise long term financial planning to demonstrate financial sustainability; and that appropriate governance and risk management arrangements were in place.

Only 1 significant finding had been made which related to duplicate payment of invoices by the Council's Creditors Section. This had resulted in expenditure being overstated in the draft accounts and an adjustment had been made.

Included in the appendices accompanying the report was an action plan which set out the proposed management action in respect of areas where recommendations had been made.

In addition, the committee also considered a letter from Audit Scotland dated 27 September 2017 relative to the 2016/17 Annual Audit Report for the IJB. The letter referred to the requirement in terms of International Standard on Auditing (UK and Ireland) 260 (ISA 260) to report specific matters arising from the audit of the financial statements to those charged with the governance of a body in sufficient time to enable appropriate action. Included as appendices were copies of the proposed independent auditor's report, and a draft letter of representation (ISA 580) which had to be signed by the Chief Financial Officer along with the signed financial statements prior to the independent auditor's opinion being certified.

Ms Brown welcomed to the meeting Morven Fraser of Audit Scotland who was heard further on the terms of the report and the key messages, thanking officers for their assistance in the preparation of the audit report.

In response to questions from Mr Matthews on the risks identified during the planning of the audit, Ms Fraser clarified that these were different issues from those discussed earlier in the meeting, and that the auditor was satisfied with the resulting actions.

Full discussion then took place on the level of reserves held by the IJB and their categorisation. The Chief Financial Officer reported that in her opinion the current level of free reserves (0.2%) was too low when compared to the target of 2% set by the IJB. However there was a higher level of earmarked reserves the need for which could be reviewed with partners if necessary.

Welcoming the information, Ms Brown referred to comments being made by some in the Acute Services Division and the Health Board about the levels of reserves being held by IJBs, emphasising the importance of the IJB being able to robustly defend any challenges on the level of reserves held. She suggested that the earmarked reserves should be considered as transition funding. This view was supported by the Chief Officer who explained that earmarked reserves provided internal bridging funding, enabled services to be redesigned in an intelligent and proactive way, and enabled a more structured approach to be taken to the delivery of longer-term savings.

In view of the discussions the Chief Financial Officer indicated that she would amend the format of future budget monitoring reports to the IJB to reflect where reserves were being used and the percentage. This was welcomed by the committee.

Thereafter the committee noted the report

ANNUAL ACCOUNTS 2016/17

7. Under reference to the Minute of the meeting of 28 June 2017, the committee considered a report by the Chief Financial Officer seeking approval for the final annual report and accounts for the IJB for the period 1 April 2016 to 31 March 2017, following the external audit of the accounts. A copy of the annual report and accounts accompanied the report.

The report referred to the establishment of IJBs and the requirements, in accordance with Section 106 of the Local Government (Scotland) Act 1973, for annual accounts to be prepared in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom, and also to additional guidance produced by the Local Authority (Scotland) Accounts Advisory Committee.

Thereafter, the report explained that the annual report and accounts had been prepared in accordance with the relevant legislation and guidance, and that they were unqualified, met legislative requirements, had no significant issues and confirmed sound financial governance.

Amongst other things, the report also highlighted that the IJB's immediate financial position was secure, subject to plans to close the NHS financial savings gap in 2016/17, and that effective governance arrangements were in place, .

It was further explained that the key messages that had been highlighted when the unaudited accounts had been considered by the committee in June remained unchanged. These were the successful full year operation of the HSCP building on the previous 2015/16

part year; increased earmarked reserves of £1.925 million; and a year-end surplus of £1.534 million transferred to the budget saving and in year pressures earmarked reserves.

Commenting further, the Chief Financial Officer referred the minor change made to the bottom line financial position in relation to the duplicate payment of invoices as referred to in Item 6 above. This resulted in an increase in reserves of just over £14,000.

Having heard the Chief Financial Officer thank staff for their efforts in producing the annual report and accounts, the committee agreed the annual report and accounts and that they be remitted to the meeting of the IJB for approval.

INTERNAL AUDIT PLAN 2017/18

8. The committee considered a report by the Chief Auditor regarding the proposed audit plan for 2017/18. The report explained that 20 audit days had been allocated against the IJB within the ERC Audit Plan as approved by the Council's Audit & Scrutiny Committee on 6 April 2017. Details of how the days were to be allocated were outlined.

Referring to the proposed allocation of audit days, the Chief Officer explained that the Health Board's internal auditor was considering examining the issue of delayed discharge. She suggested that it may be worthwhile for the Chief Auditor to have a conversation with the health board auditor and the auditors for other IJBs in the health board area to establish if this was an issue that could be looked at across the health board and all IJBs in the board's area at the same time.

Having heard Mrs Lyon confirm that she would relay the information back to the Chief Auditor, the committee noted the 2017/18 audit plan.

PERFORMANCE REPORTING UPDATE 2016/17 AND 2017/18

9. The committee considered a report by the Chief Officer providing an update on the performance reporting framework for the HSCP Strategic Plan.

Having set out the statutory requirement for integration authorities to publish an annual performance report, the report explained that the Integration Scheme for the HSCP states that a core set of indicators would be jointly identified by East Renfrewshire Council and NHSGGC from the national indicators and targets both bodies reported against.

The report provided comparisons with national performance measures for 2014/15 and those measures agreed with the council and NHSGGC for 2016/17 along with targets for 2017/18. It was noted that the report had been set out in line with the Implementation Plan agreed by the IJB on 28 June, a copy of which accompanied the report.

It was explained that an update on 2017/18 data would be provided at the next meeting of the committee, with exception reporting for areas where there was a risk of targets not being achieved.

Having heard the Head of Strategic Services explain the reasons for the delay in obtaining some of the health-related data which it was hoped would be available in time for the mid-year update to be reported to the next meeting, the committee noted the report.

CALENDAR OF MEETINGS 2018

10. The committee considered and approved a report by the Chief Officer with proposed meeting dates for 2018.

DATE OF NEXT MEETING

11. It was reported that the next meeting of the committee would take place on Wednesday 29 November at 9am in the Eastwood Health and Care Centre, Clarkston.

CHAIR