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| <b>Meeting of East Renfrewshire Health and Social Care Partnership</b>   | Performance and Audit Committee         |
| <b>Held on</b>   | 23 November 2016                        |
| <b>Agenda Item</b>   | 5                                       |
| <b>Title</b>   | Audit Actions Update                    |
| <p><b>Summary</b></p> <p>This report provides a progress position on:</p> <ul style="list-style-type: none"> <li>▪ HSCP Financial Developments Progress Report to East Renfrewshire Council Audit &amp; Scrutiny Committee</li> <li>▪ An update on the Council Internal Audit report on Payment to care Providers (MB/919/RMEL)</li> <li>▪ The action plan from the IJB Annual Report &amp; Accounts 2015/16</li> <li>▪ The action plan from the Council External Audit Key Controls Report 2015/16</li> </ul> |   |
| <b>Presented by</b>  | Lesley Bairden, Chief Financial Officer |
| <p><b>Action Required</b></p> <p>The Performance and Audit committee is requested to note:</p> <ul style="list-style-type: none"> <li>▪ The attendance at the East Renfrewshire Council Audit &amp; Scrutiny Committee</li> <li>▪ The progress to date against recommendations in the action plans</li> </ul>  |   |
| <p><b>Implications checklist – check box if applicable and include detail in report</b></p> <p> <input type="checkbox"/> Financial      <input checked="" type="checkbox"/> Policy      <input type="checkbox"/> Legal      <input type="checkbox"/> Equalities<br/> <input type="checkbox"/> Efficient Government      <input type="checkbox"/> Staffing      <input type="checkbox"/> Property      <input type="checkbox"/> IT </p>   |   |

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**EAST RENFREWSHIRE INTEGRATION JOINT BOARD**

**PERFORMANCE & AUDIT COMMITTEE**

**23 November 2016**

**Report by Lesley Bairden, Chief Financial Officer**

**AUDIT ACTIONS UPDATE REPORT**

**PURPOSE OF REPORT**

1. The purpose of this report is to provide the Performance & Audit Committee with an update on:
  - HSCP Financial Developments Progress Report to East Renfrewshire Council Audit & Scrutiny Committee
  - An update on the Council Internal Audit report on Payment to Care Providers (MB/919/RMEL)
  - The action plan from the IJB Annual Report & Accounts 2015/16
  - The action plan from the Council External Audit Key Controls Report 2015/16

**RECOMMENDATION**

2. The Performance and Audit committee is requested to note:
  - The attendance at the East Renfrewshire Council Audit & Scrutiny Committee
  - The progress to date against recommendations in the action plans

**BACKGROUND**

3. This report provides updates on key audit recommendations and action plans relating to the HSCP.
4. We will report all significant new activity as and when it arises during the year, including any reports resulting from NHS audit work plan relating to partnerships which will include financial controls, performance reporting, delayed discharge and governance.
5. The supporting Appendices are:

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| Appendix 1 | The action plan from the IJB Annual Report & Accounts 2015/16   |
| Appendix 2 | The action plan from the Council External Audit Key Controls Report 2015/16 (trade payables extract relating to HSCP) |

**REPORT**

6. The main developments since last reported are discussed below.
7. The Chief Officer and Chief Financial Officer attended East Renfrewshire Council Audit & Scrutiny Committee on 29 September and presented the report on Financial Development Progress; a copy of this report was included on the last IJB Performance & Audit Committee on 28 September.

8. The East Renfrewshire Council Audit & Scrutiny Committee noted the progress made to date with the financial developments made within the HSCP as well as progress on the actions relating to the report on Payment to care Providers (MB/919/RMEL). The Audit & Scrutiny Committee requested a further update be presented to a future committee.
9. IJB Performance & Audit Committee members will recall that of the original 23 actions relating to this report 10 have been closed and 13 remain ongoing. East Renfrewshire Council Internal Audit has undertaken follow up work; with the progress report being finalised. Once agreed this report and associated action plan will be reported to the next Performance & Audit Committee and will supersede the original.
10. Implementation of Care Finance continues, with an operational working group established to ensure any day to day issues, training, knowledge gaps and potential streamline / revisions to process are discussed. This will also function as a post implementation review of the project. The remaining developmental elements, mainly relating to interface between systems, continue to progress.
11. The HSCP is now using Information at Work, an electronic document management system, which involves scanning of invoices directly into the system on the day of receipt. This allows invoice payment work flow to be better managed, improved visibility of workloads and improved working processes with the council creditors section. This also provides an audit trail on invoice matching and completion so mitigates the separation of duties issue within the Care Finance system (Appendix 2 action point 4).
12. There are a number of wider developments taking place which cut across all audit issues:
  - The Chief Financial Officers (CFO) peer group co-terminus with NHSGGC are reviewing use of Care Finance / SWIFT to establish commonality of systems, development opportunities and best practice
  - This same group has been instrumental in developing a terms of reference for a national CFO group to take forward partnership and IJB issues
  - The CFO for East Renfrewshire is now a member of LASAAC (Local Authorities Scotland Accounts Advisory Committee), following attendance at this committee to share the experiences of an established partnership.
  - A national financial planning event is scheduled for 1 December and will include IBB, Council and NHS Chief Financial Officers / Directors of Finance.

## CONCLUSIONS

13. The Performance & Audit Committee can take assurance that progress continues to be made to ensure all audit recommendations are fully complied with. The action plans will continue to be reported to this committee until actions are fully resolved.

## RECOMMENDATIONS

14. The Performance and Audit committee is requested to note:
  - The attendance at the East Renfrewshire Council Audit & Scrutiny Committee
  - The progress to date against recommendations in the action plans

**REPORT AUTHOR AND PERSON TO CONTACT**

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**BACKGROUND PAPERS**

East Renfrewshire Council Audit and Scrutiny Committee

**KEY WORDS**

Audit, recommendations, payment, providers

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## 2015/16 Annual Audit Report for members and the Control of Audit

| No. | Paragraph Ref. | Issue/Risk/Recommendation   | Management action/response   | Responsible Officer / Target date                   | Update  |
|-----|----------------|---|--|---|---|
| 1   | 35             | <p><b>Budget Approval</b><br/>Due to delays obtaining the NHS budget, the IJB set an interim 2016/17 budget using indicative figures. The initial budget was not indicated until July and agreed in August.</p> <p><b>Recommendation</b><br/>Continue to develop a close working relationship with partner bodies to minimise any delays in future budget setting, that might affect delivery of strategic plan initiatives or result in a reduced period to achieve savings.</p> | <p>The timing of NHS financial planning and associated partnership budget contributions is a national issue.</p> <p>We continue to raise this through a number of fora both locally and nationally.</p> <p>The CFO continues to develop relationships with peers including our partners.</p> | <p>Chief Financial Officer</p> <p>31 March 2017</p> | <p>Timetable remains an issue, determined by dates of Scottish Government settlement.</p> <p>Financial planning remains ongoing and 2017/18 budget process is underway with both partners. A national financial planning event is scheduled for 1 December.</p> |

## 2015/16 Annual Audit Report for members and the Control of Audit

| No. | Paragraph Ref. | Issue/Risk/Recommendation  | Management action/response  | Responsible Officer / Target date                     | Update   |
|-----|----------------|--|---|---|--|
| 2   | 37             | <p><b>Saving Targets</b><br/>           Saving Targets – The August 2016 budget update presented to the Board reported a projected in year savings target shortfall of £0.475m for 2016/17 against the NHSGGC budget contribution to the partnership to be met through non-recurring support from our partner NHSGGC, subject to achieving the full recurring savings of £0.843m in year 2017/18. In the report the Chief Financial Officer highlights that the level of savings required could impact on service delivery and future outcomes as identified in the Strategic Plan.</p> <p><b>Recommendation</b><br/>           The level of savings required for 2016/17 may impact on the IJB’s ability to deliver the existing outcomes identified in the Strategic Plan. If savings plans are insufficient to deliver a break even position in 2016/17 then the IJB will need to consider how to address this taking account of the options set out in the Integration Scheme.</p> | <p>The budget update report to the IJB in August 2016 identifies a recurring balance of £843k savings to find and sets out our approach to achieve this. The report also identifies non recurring support confirmed from NHSGGC for 2016/17.</p> <p>The budget update for October 2016 and subsequent reports to the IJB will identify plans to achieve savings on a recurring basis and also address likely future savings challenges.</p> | <p>Chief Financial Officer<br/><br/>31 March 2017</p> | <p>Plans identified for recurring savings by 2017/18 to be agreed by IJB 23/11/16.</p> <p>Non-recurring support agreed with NHSGGC for £843k for 2016/17 (as with other partnerships).</p> |



## 2015/16 ERC Annual Audit Report for members and the Controller of Audit

| No. / MKI Ref.                       | Audit Finding   | Management response/planned action  | Responsible Officer / Target date   | Update   |
|--------------------------------------|---|---|---|--|
| <b>Trade Payables – Care Finance</b> |   |   |   |  |
| 4.<br>(72669,726 71)                 | <p><b>Care Finance – System Access/Segregation of Duties</b><br/>The Finance Business Partner (Transformation) has super-user access to the Care Finance system. Three individuals have authorisation to match and complete HSCP invoices, service agreements and financial assessments/reassessments on the Care Finance system and we found evidence of these same individuals both matching and authorising payments.<br/>There is a risk that payments are made which are not in accordance with underlying care files.</p> | <p>The CareFirst System Manager has confirmed that access permissions to match and complete invoices cannot be separated. We have confirmed with the system manufacturers that it is not possible to split permissions for matching and completing payments. Our system administrator also raised this issue at the CareFirst Scottish Users Group on 9<sup>th</sup> June 2016. No other authorities noted this as having been raised as an issue. This is not an issue specific to ERC we are operating the system as intended. We do accept however this is a system weakness. The mitigating actions in place are@</p> <ul style="list-style-type: none"> <li>• The Finance Team procedure notes state that only a qualified accountant should authorise payments. Currently, this is only undertaken by the Finance Business Partner (Transformation) and the Development Accountant posts. All staff in the team are aware of who this authorisation is restricted to.</li> <li>• A data file is sent automatically from CareFirst to E-financials system which lists all individual invoices that have been authorised. This data file is the master list used by creditors to request supporting invoices (this is read only so cannot be changed). When all invoices are</li> </ul> | <p>Further ongoing review by Chief Financial Officer (IJB)<br/><br/>31 March 2017</p> | <p>The use of Information at Work provides an audit trail for matching and completion of invoices.</p> <p>We will continue to explore the functionality of all systems to ensure continued robust governance and separation of duties.</p> |

## 2015/16 ERC Annual Audit Report for members and the Controller of Audit

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|                          |  | <p>collated to send to creditors to release payment, this list is signed off by a qualified accountant confirming invoice validity and checking invoices initialled only by qualified staff.</p> <p>The Finance Business Partner (Transformation) did key, match and complete an invoice, which is an exception to normal procedure, as this was during a period of sustained complaint from a supplier where payment of the invoices was urgently required. The invoice amount was the exact amount which had been authorised by frontline staff.</p>  |  |  |
| 5. &72169, 72674, 72729) | <p><b>Care Finance Reconciliations</b></p> <p>At the time of our audit, we found that no reconciliations between the Care Finance system and the Council's financial ledger had been completed from October 2015 until March 2016.</p> <p>We also found evidence in 10 out of 20 invoices sampled, where staff had varied/amended the amount payable in ranges from 3% and 17% of the original invoice value. Therefore these 10 invoices didn't match the Council's ledger or Care Finance reports. This 'variation' process gives rise for the need to perform additional reconciliations for over/underpayment of invoices.</p> <p>There should be a process in place for ensuring significant variances are;</p> | <p>As of 14 June 2016 all 2015/16 reconciliations were completed and a timetable has been put into place for 2016/17.</p> <p>It needs to be recognised that for 2015/16 the plan was always to continue with the long standing practice of year end reconciliation, and to develop periodic reconciliation for implementation for 2016/17.</p> <p>For 2015/16 additional mitigation was provided by a month on month analysis of movement in projected costs.</p> <p>All transactions processed through each cost centre and account code combination which relates to care costs will be picked up as a matter of course through the reconciliation of CareFirst to the financial ledger, regardless of whether these payments were processed through CareFirst or</p> |  | <p>The reconciliations for 2016/17 are progressing with a quarterly timetable in place.</p> <p>Period 3 reconciliations are complete. Period 6 are being used to roll out wider training within the team to ensure knowledge share and no single dependencies.</p> |

## 2015/16 ERC Annual Audit Report for members and the Controller of Audit

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|            | <ul style="list-style-type: none"> <li>• Authorised by a senior staff member and;</li> <li>• Monthly reconciliations are done to track and agree these variations with the ledger updated.</li> </ul> <p>There is a risk that under/overpayments are not identified and addressed when the financial statements are prepared, leading to misstatement.</p> | <p>not. Any anomalies will be investigated and this will be fed into routine budgetary control work and ledger maintenance. Actual costs are compared to initial budgets, commitments and also projected outturns regularly throughout the year, and any material deviations are investigated. Payments outwith Care Finance are still subject to East Renfrewshire Council's rules on creditor payments, with goods/services being receipted through the c-pops system under the relevant Purchase Order before payment can be made. Actual costs and commitments with respect to care packages have been validated and verified at team level as part of the implementation of delegated budgets in 2016/17. This ensures managers with local knowledge of care provision have full sight of monies committed for care. Development work is ongoing to improve the use and distribution of variation reports which will be a standing item on budget monitoring agendas</p> | <p>To be implemented during 2016/17</p>  |  |
| 6. (72336) | <p><b>Care Finance – Vetting Framework Agreements</b><br/>The Council has a Framework Agreement with 12 suppliers for delivering non-residential care. These suppliers have been vetted by the former CHCP Commissioning Team. Testing identified 27 non framework providers who were added to the system.</p>   | <p>There are 22 Framework providers; however under the statutory provision of Self Directed Support (SDS), individuals can choose support outwith framework providers. Contracted providers are expected to have a minimum Care Inspectorate grade for care and support. Where an existing provider falls to 2 in this area then it triggers a review of their provision. Providers outwith our frameworks similarly must have a grade of no less than 3 in care and support, if they do we will draw funding until they can demonstrate a sustained improvement of their</p>   | <p>Further ongoing review by Head of Strategic Services and Chief Financial Officer<br/><br/>31 March 2017</p> | <p>The Care at Home and Care and Support frameworks are in place and we are in the process of transferring activity to these new frameworks.</p> |

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|  |  | <p>regulated performance. Under the successor framework, currently being procured, we are bringing option 2 of the legislation into the scope of the framework to provide even greater transparency in terms of price and quality to support greater user choice and control. In light of the level of spend outwith the framework, along with routine review, the Departmental Management Team have agreed a review of the SDS approach and framework.</p> |  |  |
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