

4. MINUTES

4.1 IJB Audit Committee Minutes of 12.06.18

The Minute of the Integration Joint Board Audit Committee held 12th June 2018 was approved as an accurate record of the discussion with no amendments.

Decision: The Committee formally approved the Minutes.

4.2 MATTERS ARISING

Item 5.8 – Residential Care Home Income ~ bullet point 4 relating to full reconciliation of the figures within the ledger and the monthly updates being reviewed by the Chief Finance Officer.

Mr. Galbraith asked Ms. Bozkurt if she had reviewed the ledger and was able to obtain assurance that the figures accurately reflected the calculations.

Ms. Bozkurt advised that she has not been able to review the ledger. She indicated that Mrs. Helen MacKenzie had advised that she was finalising the model just a few weeks ago.

Mr. Galbraith enquired as to bullet point 7 pertaining to the monthly forecast being produced following the accountancy period. Ms. Bozkurt advised that Mr Donald MacLeod has had to use professional judgement to provide an estimated figure but there are no actual figures available from the revenue team.

Mr. Galbraith raised his concern at the statements made back in June by Mrs. MacKenzie highlighting that there has been no progress to complete the action advised and therefore we are still no further forward and the actions stated have not been delivered.

Ms. Bozkurt noted that a meeting was scheduled for August but then cancelled, however Mr Donald Macleod and Mrs. MacKenzie were revising the model and Mrs. MacKenzie stated that she would update Ms. Bozkurt on the outcome of that discussion. There has been no further confirmation.

Mr. Galbraith enquired as to when the actions, noted back in June, would be delivered. Ms. Bozkurt anticipated that the information would be reflected in the Month 6 report. The Chair raised concern that the Committee will not be meeting again until December 2018 and the issues noted are causing concern. He requested that regular updates are provided to Members out with the meetings on both financial and other related issues. The suggestion was supported by the other Members seeking monthly updates. Ms. Bozkurt agreed that this would be possible and it would be emailed out.

Decision: The update was formally noted.

Action: Monthly electronic reports to be provided to Members. Debbie Bozkurt / Michelle McPhail

4.3 ACTION POINTS

12.06.18 Item 5.8 – Residential Care Home Income ~ on the agenda for discussion 11.09.18. **REMOVE.**

12.06.18 Item 5.1 – Draft Annual Accounts ~ present to the IJB. **Complete / REMOVE.**

12.06.18 Item 5.1 – Draft Annual Accounts ~ on the agenda for discussion 11.09.18. **REMOVE.**

12.06.19 Item 5.6 – Internal Audit Progress Report ~ on the agenda for discussion 11.09.18. **REMOVE.**

12.06.18 Item 5.3 – Internal Audit Report Financial Planning ~ on the agenda for discussion 11.09.18. **REMOVE.**

12.06.18 Item 5.4 – Internal Audit Performance Report ~ verbal update provided by Ms. Bozkurt noting that action has been taken and a formal report will be provided in December 2018. **UPDATE.**

12.06.18 Item 5.7 – IJB Annual Report 2017/18 ~ on the agenda for discussion 11.09.18. **REMOVE.**

5. AUDIT AND FINANCIAL GOVERNANCE

5.1 External Audit Review Annual Accounts 2017/18

5.1.1 Audit Scotland 2017/18 Annual Audit Report

5.1.2 Internal Standard on Auditing – ISA260 and ISA580 – Letter of representation

Mr. David Jamieson, Senior Audit Manager with Audit Scotland, drew Members attention to the Audit Scotland report on the IJBs Draft Annual Accounts for 2017/18. He briefed Members on the different sections within the report, highlighting:

- Key messages –
 - Unqualified audit opinions on the financial statements ;
 - Change made to reclassify £2.5m of reserves as earmarked;
 - Financial reporting throughout the year was not representative of the final outturn position. The IJB achieved an unexpected underspend of £3.1m and now has cumulative reserve of £6.1m. Most of the underspend emerged due to late funding and historic under accrual of care contributions;
 - The 2018/19 budget identifies a funding gap of £1.4m, which is to be met by using reserves (£0.4m) and planned savings (£1m). However

- these savings plans contain an element of non-recurrent savings (£0.3m) leading to an increasing risk to financial sustainability; and
- The annual performance report supports the IJB in demonstrating Best Value and recent reports by inspectorates have been positive.
- Part 1 – noting that the audit opinions were all unqualified and noting the reclassification of £2.5m of reserves as earmarked. This was following, noted at Exhibit 3, that the original reserves held were £6.1m. Of this £5.5m was earmarked for reinvestment and £0.6m remains as contingency.
- Appendix 1 – recommendations for improvement.
 - One recommendation noted pertaining to financial monitoring arrangements and work with partner organisations to ensure that accurate/timely information is available. This relates to the issues in obtaining accurate information from the Comhairle systems specific to residential care accruals and projections.

Ms. Bozkurt advised the Committee that a considerable amount of work has been undertaken and this will be reflected in future audits, trying to establish a more robust process and the time this takes to embed.

- In relation to last year's recommendations, of which there were four, two of which are complete, and two are still in progress ~ medium to long term financial plans and Best Value performance review.

Mr. Jamieson noted that the IJB is in a good place reflecting on the 2017/18 report, making good progress and being able to report a surplus at the year end. He remarked that he would like to see more modelling and scenario planning, which would be assisted by the third year of financial planning which is being developed.

Mr. Galbraith enquired as to what type of modelling would Audit Scotland be expecting. Mr. Jamieson indicated that potential areas may be assessment of bed numbers - variances between bed numbers in summer to winter / inflation changes – variances between what level of inflation you might expect to see 3% up to 6%. Mr. Jamieson indicated that within the Council there is a 10 year planning which includes different modelling scenarios reflecting on different levels of funding and income sources.

- CnES review – Mr. Jamieson noted that as part of the review and confirmation of Parent Bodies Annual Accounts, the Comhairle's Internal Audit department had identified weaknesses within the payroll system and this is being reviewed.

Mr. Morrison advised that this is an issue which the Council Audit and Scrutiny Committee is monitoring and reviewing to greater understand the specifics and obtain assurance of progress.

Mr. Paul MacAskill supported Mr. Morrison's statement advising that there are a number of error within the payroll system across a spectrum of areas and this is currently a standing item on the Council's Audit and Scrutiny Committee.

The Chair asked Ms. Bozkurt if she had been made aware of this, and she indicated she was not. Dr. Culley also indicated that he had not been made aware of the concern. The Chair commented that both the Chief Officer and the Chief Finance Officer should have been advised. Mr. Morrison gave the Committee assurance that the issue is being scrutinised and the necessary actions will be monitored.

Mr. Paul MacAskill advised that the CnES Chief Executive and Officers are aware of this and compulsory training on the payroll system has been put in place.

Ms. Bozkurt advised that within the NHS the payroll system has recently been audited and that internal controls are good; however the actual payroll system is provided via NHS Greater Glasgow and Clyde, and following a recent audit within that Board concerns have been noted around aspects of paper work.

- ISA260 and ISA580 – Mr. Jamieson indicated that the letters of representation had been sent to Ms. Bozkurt and Mrs. McPhail and these will be presented to the IJB.

Dr. Culley welcomed the positive external audit review. He remarked upon a typographical error referring to Inverclyde IJB, which Mr. Jamieson advised had been removed.

Dr. Culley updated Members on the work of addressing Best Value and he and Mrs. McPhail are looking at this and await the Audit Scotland report and recommendations on Best Value.

The Chair thanked Mr. Jamieson for the positive report. However he was concerned at the recommendation about financial monitoring and reporting, albeit that the issue relates to the positive variances from Residential Care reporting. He stated that the report is a public document and as such reflects upon the oversight of the IJB Audit Committee, acknowledging that it is dependent upon the information which it receives.

He expressed his view that the issue raised should be left in the past, as progress is moving forward with the assurance of robust processes being put in place. The outcome of this work will be reflected in future reports with more confident reporting and less estimations being made. He stated that the process will be monitored on a regular basis to ensure that the Committee is confident and obtaining robust future reporting.

Decision: The Committee formally noted for assurance the report.

Action: The Reports will be presented to the Integration Joint Board.

5.2 Audited Annual Accounts 2017/18

Ms. Bozkurt presented the Accounts to Members for approval. She advised that the Accounts had some small adjustment made since the Committee reviewed the draft Accounts in June. It was noted that small adjustments had been made to the reserves, as previously highlighted by Mr. Jamieson, and is compliant and in line with the IJBs agreement of the Investment Strategy.

Ms. Bozkurt expressed her thanks to Mr. Norman MacDonald for his assistance in drawing the Accounts together.

The Chair thanked Ms. Bozkurt and the all the teams involved across both Parent Bodies, remarking upon the small amount of time required to produce the Accounts, approximately 10 weeks.

Decision: The Committee approved the Annual Accounts.

Action: Following the scrutiny of the IJB Audit Committee the Accounts will be presented to the IJB for formal approval.

5.3 Internal Audit Annual Report

5.3.1 Internal Audit Progress Report 2018/19

Mr. Paul MacAskill, Chief Internal Auditor for the IJB, submitted the Internal Audit review conducted during the period of 01.04.18 to 30.08.18. The activities carried out are in line with the Three year Strategic Audit Plan and the Operational Internal Audit Plan for 2018/19. He remarked on the summary of the work being undertaken in the year noting that the Service Redesign report is on the agenda for discussion.

Mr. MacAskill intimated that he, Dr. Culley and Ms. Bozkurt will be meeting to take forward the work on commencing the strategic planning process in order to produce an appropriate audit plan for 2019-2022. It was noted that the proposed plan will be presented to the Committee either late December or early 2019.

The Chair thanked Mr. MacAskill for his continued support.

Decision: The Report was formally noted and assurance was provided.

5.3.2 Service Redesign

The Chief Internal Auditor, Mr. MacAskill, presented Members with the Audit Report on Service Redesign, specifically reviewing the delivery of the Strategic Plan, continued Implementation of Key Strategic objectives and improvement areas.

He remarked upon the 2 main risks:

1. Relating to both the NHS and the Comhairle is the inability to recruit to vacancies. He indicated that with the aging population and reduction in the working age, finding people to take up posts is becoming more challenging and will have a direct impact on the ability to continue to deliver specific services.

Dr. Culley advised that a report will be presented to the IJB highlighting the deficiencies in service terms. He reiterated the remarks from Mr. MacAskill and the high risk in being able to continue to deliver the services in light of the challenges in being able to recruit to posts. He indicated that to date the level of vacancies in both Comhairle and the NHS is currently 10%.

2. Directions – there is a recognised need to ensure that the Directions given to Parent Bodies is recorded, controlled and reported on, together with a formal record of any amendments, expiry or superseded directions.

Dr. Culley remarked that the issue of Directions has been discussed by the ICMT. There is a need for greater clarification, monitoring and movement, all of which are on the Scottish Governments radar.

Mr. MacAskill presented the 6 recommendations, along with the action plan. The responsible officers are Dr. Culley and Ms. Bozkurt. He expressed his thanks to both for their support on ongoing cooperation.

The Chair thanked Mr. MacAskill for the reports and providing the auditing services. He also thanked Dr. Culley and Ms. Bozkurts for their responses and reassurance that work is ongoing to address these areas.

Decision: The Report was formally noted for assurance.

Action: Revision of the report and present in December 2018.

5.4 Chief Financial Officers Assurance Statement 2018/19 Month 4

5.4.1 Appendix 2 Budget Adjustments

Ms. Bozkurt, Chief Finance Officer, provided Members with the Chief Finance Officer's Report stating at Month 4 that the IJB is showing an overspend (o/s) of £420k and projecting an underspend (u/s) of £296k at the year end. She remarked upon the projected **year end** variances at department budget levels including:

- Acute Nursing (£123k o/s);
- Homecare is underspent by £497k due to the level of vacancies within the department;
- Residential Care Assessment – predicting a £300k increased income expenditure from existing and backlog assessments, with a forecast underspend of £406k at year end;
- Projecting an o/s of (£207k) at the yearend on Mental Health placements. Currently 3 people are on the mainland with an approximate cost of £100k per person; GP Prescribing is projecting an o/s of (£199k) however the Scottish Government have taken off the revenue budget £125k as they anticipate a national saving of £20m based on three specific drugs, which may not be provided by a Board. The money saved by Government will be used to support the GP New Contract protection; and
- Virement / allocation adjustments (appendix 2) ~ RRL adjustments equate to £67k and other adjustments equate to £253k.

Within the report additional information was provided on the level of vacancies and workforce demographics providing colleagues with a great understanding of the impact which vacancies have on service delivery and budget performance and management.

Mr. Galbraith enquired as to the Alcohol and Drug Partnership funds, which indicates the funding almost completely utilised at such an early point in the financial year. Ms. Bozkurt advised that the money has been allocated to the recognised groups but not necessarily spent.

In respect of Criminal Justice, Dr. Culley advised Mr. Galbraith that the funding is providing the salaries of those Social Care workers within Criminal Justice department. Mr. Galbraith reflected on only one annual report on Criminal Justice work being presented to the IJB, and would have expected, as the IJB has delegated authority of the service, to have had more information on the service. Dr.

Culley reminded members of the fine line between Strategic Direction and Operational Management but conceded that it would be beneficial for IJB Members to be briefed on what the service entails, similarly this could be reflected across all services. Dr. Culley remarked that this has been discussed previously and would form part of a future development event.

The Chair thanked Ms. Bozkurt for the detailed report which has been presented in a “plain English” format and easy to understand, which is not just beneficial to colleagues but also enables members of the general public to have a greater understanding.

Decision: The Report was formally noted for assurance.

Action: No action.

5.5 Council Report on allocation of Scottish Government Funding of £429k

Dr. Culley reflected on the decision of the IJB in March 2018, requesting the Comhairle to reconsider their decision to retain the Scottish Government allocation of £429k but making the funding available against IJB requests for specific draw down which would be available throughout 2018/19. The request was made to the Comhairle’s Director of Finance, Mr. Robert Emmott. A copy of the paper presented to the Council Members on 2nd May 2018 was circulated to Committee Members, stating at section 2.8 the IJB request. However the Council were asked to note that the Comhairle had already earmarked the funds for use by the IJB for the purpose set out in the Comhairle’s budget for 2018/19.

Dr. Culley and Ms. Bozkurt noted that they will be drawing down on the funds to support the living wage, and for the sleep over associated increase in cost.

Mr. Galbraith stated that this aspect of development and compliance with legislation was specifically the purpose for the Government’s additional funding allocations to IJB via Local Authorities. The lack of transfer in full to the IJB is still an issue of concern for Members of the IJB. Ms. Bozkurt advised that during discussions with other Directors of Finance and Chief Finance Officers of IJB throughout Scotland the majority of Local Authorities transferred this allocation straight to IJBs in full.

The Chair enquired as to how much had already been drawn down from the original additional funding allocation and when it was anticipated that the funding will be drawn down in full.

Mr. MacDonald left the meeting.

The Chair thanked colleagues for their comments.

Decision: The Report was formally noted.

Action: No action.

6. PERFORMANCE

6.1 Integration Performance Indicators

The Chief Officer, Dr. Culley presented Members with the performance report for their information. The report in general provides confirmation of positive progress. Dr. Culley advised that May and June were challenging months, and performance fell short of preventing unnecessary admission via A&E department, where patients could have been provided with the level of treatment in the community rather than being admitted into an acute bed.

Dr. Culley also highlighted the good performance of ensuring patients who are at their end of life obtain the right type of treatment in their preferred location.

The Chair thanked Dr. Culley for the report.

Decision: The Report was formally noted.

Action: No action.

6.2 Quarterly Report on Residential Care Review

Dr. Culley presented the report to Members for review of Residential Care.

The Chair commented on the disappointing position, given that assurance had been provided in June by Mrs. MacKenzie that actions would have been taken and embedded in the system. He noted that the Model is still being refined; however colleagues confirmed that this had now been completed a few weeks ago. The legacy with the backlog is still a challenge as there are 20 clients awaiting assessment and calculation. The level of work carried out is an improvement but the Committee would like to see all of the backlog completed by the 1st December 2018. The Chair noted that the issue is also being scrutinised by the Comhairle's Audit and Scrutiny Committee and it is desirable that the deadline dates coincide. Mr. Angus Morrison, Chair of the Comhairle's Audit and Scrutiny Committee, agreed. He reiterated that specific information is being requested; however the detail is still not being provided to the Comhairle's Committee and he asked Mr. MacAskill about this. Mr. MacAskill noted that as Mr. Norman MacDonald was present he should make the request to Mr. Robert Emmott, Director of Finance to ensure the detail is provided timeously.

Mr. MacMillan remarked upon the original scale of the debt on Residential Care, reported in excess of £4m, and the effect movements in assessment and recovery

were having upon being able to assess the actual financial position in the current year – all as brought out in the Audit Scotland reports for the last financial year.

The Chair asked for a detailed report outlining:

- the actual expected income for the current year;
- the amount projected to come in from the backlog of assessment; and
- the amount of, and any movement in, bad debt provision.

This should then bring out the separation between:

- actual performance in the current year;
- the impact of the backlog being cleared;
- the impact of refinement and movement in the bad debt position; and
- the amount of bad debt provision.

Mr. Galbraith asked Dr. Culley about process and that the report provided should have come to the IJB Audit Committee before being discussed elsewhere as the issue of Strategic direction and scrutiny is a delegated function of the IJB. He noted that it may have been a timing issue as to when meetings are held however it's the order of production. Dr. Culley indicated that the direction is for the IJB as a core function however the Comhairle has a need to scrutinise at operational level and by this it's via the Comhairle's Audit Committee.

The Chair noted that the IJB meets on the 20th September and the Audit & Scrutiny Committee meet on the 24th September. He requested that the progress is provided on a regular basis, via the electronic monthly updates to Committee Members. Dr. Culley agreed.

Decision: The Report was formally noted

Action: Regular monthly updates to Members

Ron Culley

7. DATE AND TIME OF NEXT MEETING

The following dates were agreed by the Committee as future dates.

06.12.18 AM Committee Room 3, CnES

The meeting came to a close at 2.15pm, the Chair thanking everyone for their contribution to the discussion.