

MINUTE of MEETING of WEST LOTHIAN INTEGRATION JOINT BOARD AUDIT RISK AND GOVERNANCE COMMITTEE held within CONFERENCE ROOM 3, WEST LOTHIAN CIVIC CENTRE, HOWDEN SOUTH ROAD, LIVINGSTON, EH54 6FF, on 12 SEPTEMBER 2018.

Present:

Members - Damian Timson (Chair); William McQueen; Dom McGuire (substituting for George Paul) and Jane Houston

Apologies – Martin Connor and George Paul

Absent – Martin Murray

In attendance – Jim Forrest (Director), Marion Barton (Head of Health), Carol Bebbington (Senior Manager, Primary Care and Business Support), Sue Gibbs (Quality and Safety Assurance Lead), Lorna Kemp (Executive Project Officer), Sharon Leitch (Senior Auditor), James Millar (Standards Officer), Kenneth Ribbons (Internal Auditor), Patrick Welsh (Chief Finance Officer) and Stephen Reid (EY).

1. DECLARATIONS OF INTEREST

There were no declarations of interest made.

2. MINUTE

The committee approved the minute of its meeting held on 27 June 2018 as being a correct record. The Chair thereafter signed the minute.

3. PROCEDURE FOR CONSIDERATION OF ANNUAL ACCOUNTS

The committee considered a report (copies of which had been circulated) by the Director providing details of the procedure and responsibilities for dealing with the Board's annual accounts.

The report recalled that the Board was subject to the financial and accounting regime which applied to local authorities. Legislation set out a process and a timetable by which the Board's annual accounts were to be prepared, considered published and approved. Within those regulations there were options available as to whether all the stages were carried out by the Board itself or by a committee on its behalf.

The Standards Officer advised that in dealing with the draft annual accounts and annual governance statement in June 2018 the Board asked for the process to be reviewed and reconsidered based on the experience of the first years of the Board's existence.

The table attached as an appendix to the report outlined the steps at which consideration by the Board, or committee, was required and

highlighted the options available and the proposed route for future years with a short explanation. The committee was advised that introducing a different process would require some minor changes to the Board's Standing Orders and the remit of the Audit, Risk and Governance Committee.

It was recommended that the committee:

1. Notes the requirements of the statutory regulations which applied to consideration and approval of the Board's annual accounts;
2. Agrees that in future the procedure and decision-making arrangements set out in the appendix to the report should be applied;
3. Notes that minor changes to the Board's Standing Orders and the remit of the Audit, Risk and Governance Committee would be required to implement those proposed arrangements; and
4. Agrees to recommend the proposed arrangements to the Board and to request that it approved the necessary changes to Standing Orders and the committee's remit to give effect to them.

Decision

To agree the terms of the report.

4 BEST VALUE FOR INTEGRATION JOINT BOARDS

The committee considered a report (copies of which had been circulated) by the Chief Finance Officer providing details of the proposals for a Best Value Framework for West Lothian IJB which would provide a basis of demonstrating the IJB had made arrangements to comply with Best Value.

The report explained that the Local Government (Scotland) Act 2003 placed a duty on Local Government bodies to secure Best Value. As a Section 106 body under the 2003 Act, Integration Joint Boards have the same statutory duty to secure best value.

Best Value duties applied across the public sector, although the arrangements by which achieving best value was demonstrated was not the same across NHS Boards and Local authorities. The committee was advised that the arrangements in place to secure best value in both partner bodies included the functions delegated to IJBs. As such, the IJB should take account of the assurance from partners on the delivery of best value in assessing its own delivery of best value.

The Chief Finance Officer advised that guidance for auditors on auditing best value was issued by the Scottish Government in March 2018, details of which was attached as an appendix to the report. Based on the guidance, the IJB was expected to demonstrate best value in documents such as the Annual Performance report and Strategic Plan. The guidance

set out ten prompts for auditors to consider the actions taken by IJBs to fulfil their duty to meet best value. It was anticipated that the framework would be reviewed after a period of two to three years to take account of any ongoing developments around Best Value for IJBs and auditing for Best Value.

The Chief Finance Officer then responded to questions from members of the committee. During the course of the discussion the committee was advised that there would be some overlap in relation to Best Value compliance between NHS Lothian and WLC. The Chief Finance Officer undertook to link in with the service areas involved and co-ordinate the work to provide updates to the IJB. In response to a question relating to the timescale of two to three years to review the Best Value Framework, the Chief Finance Officer agreed to liaise with the Standards Officer to provide an actual time frame for this to be carried out taking account of any ongoing developments.

It was recommended that the committee:

1. Notes that the IJB has a statutory duty to secure Best Value as prescribed in Part 1 of the Local Government in Scotland Act 2003;
2. Notes the draft West Lothian IJB Best Value Framework and agrees that a framework should be established for West Lothian IJB setting out the arrangements that would be put in place to demonstrate Best Value across the proposed areas identified;
3. Agrees that appropriate monitoring procedures should be put in place to review compliance with Best Value; and
4. Agrees that a report should be presented to the Board asking them to agree to a West Lothian IJB Best Value framework and compliance arrangements being established for 2018/19.

Decision

To agree the terms of the report.

5. AUDIT OF THE 2017/18 ANNUAL ACCOUNTS

A report had been circulated by the Chief Finance Officer advising the committee of the outcome of the audit of the 2017/18 Annual Accounts and provided a summary of the key points arising from the Auditor's Annual Report.

The report provided the following appendices:

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| Appendix 1 | Ernst and Young – Annual Audit Report for Year Ended 31 March 2018. |
| Appendix 2 | 2017/18 Audited Statement of Accounts for West Lothian Integration Joint Board. |

The report explained that the unaudited Annual Accounts for the financial year to 31 March 2018 were considered by the Board on 26 June 2018, in advance of the accounts being submitted to Ernst and Young (EY) by the deadline of 30 June 2018. These accounts were subsequently referred to the IJB Audit, Risk and Governance Committee on 27 June 2018 for further consideration. The external audit of the Accounts and the signing of the Independent Auditor's report were anticipated to be completed by the target date of 30 September 2018 following approval of the Accounts.

The Auditor's conclusions on their audit of the 2017/18 accounts were outlined within the Executive Summary section of their report.

Stephen Reid, Auditor, EY, provided an update on the key messages outlined within the Annual Audit Report to Members of the IJB and the Controller of Audit for year ended 31 March 2018. He advised that two recommendations were made for management as a result of the work carried out which related to "governance and transparency" and "value for money", which were both assessed as being "amber".

EYs Annual Audit Plan noted risks in relation to assurance over the existence and occurrence of revenue expenditure incurred by the IJB in commissioning services from the council and NHS Lothian, and management fraud through the ability to override financial reporting controls.

The wider scope audit considerations reflected EY's judgements and conclusions on the IJB's arrangements for financial management, financial sustainability, governance and transparency, and value for money. The Annual Audit report set out the main findings and conclusions from each of these areas. An action plan including management responses to identified risks was included in the Annual Audit report. The Action Plan summarised specific EY recommendations which were graded according to their consideration of their priority for action. A management response to the two actions identified was also included in the Action Plan.

During the course of the discussion it was agreed that it would be appropriate for updates to the medium term financial plan to be reported to the Board twice a year to assist on obtaining assurance on financial sustainability.

The Director also provided an update on the management action plan and the steps taken to ensure that reports were finalised and published in accordance with the timeline requirements. The committee recommended that the IJB workplan should include all reporting timelines to ensure that all key deadlines and statutory requirements were being met which would provide assurances to the Board.

It was recommended that the committee:

1. Considers the audited 2017/18 Annual Accounts for the West Lothian Integration Joint Board;

2. Considers the Auditor's 2017/18 Annual Audit Report including the management action plan;
3. Considers any recommendations to be made to the Board in advance of when it meets to agree the Annual Accounts for signature on 24 September 2018.

Decision

- To note the contents of the report;
- To agree that updates to the medium term financial plan be reported to the Board twice a year; and
- To agree that going forward the IJB workplan should include all reporting timelines to ensure that all key deadlines and statutory requirements were being met.

6. RISK MANAGEMENT ANNUAL REPORTS

The committee considered a report (copies of which had been circulated) by the Director providing details of the risk management annual reports for West Lothian Council and NHS Lothian for 2017/18.

The report recalled that an internal audit of the IJB's risk management arrangements was reported to the Audit, Risk and Governance Committee on 28 March 2018. The auditor stated that: "Consideration should be given as to whether a formal assurance on the adequacy of the Council's and NHS Lothian's risk management arrangements was required". The West Lothian Council risk management annual report for 2017/18 and the NHS Lothian annual report for 2017/18 were attached as appendices to the report.

Assurance on the IJB's risk management arrangements was already received via the IJB's risk management annual report which was submitted to the Audit, Risk and Governance Committee on 27 June 2018. This concluded that the IJB has effective risk management arrangements in place.

It was recommended that the committee considers the risk management annual reports for WLC and NHS Lothian for 2017/18.

Decision

To note the contents of the report.

7. RISK MANAGEMENT

The committee considered a report (copies of which had been circulated) by the Director advising of the risks in the IJB's risk register.

In accordance with the Risk Management Strategy approved by the IJB on 26 June 2018, the Audit, Risk and Governance Committee was required to review the risk register at least twice per annum. The report fulfilled that obligation.

Attached to the report at appendix 1 was a list of the IJB risks. Eleven IJB risks were recorded. The two highest risks were IJB010 "Sustainability of Primary Care" which scored 16 and IJB011 "Delayed Discharge" which also scored 16.

Appendix 2 to the report summarised the progress made in relation to the risk actions and appendix 3 provided details of the risk assessment methodology.

The Internal Auditor then responded to questions from members of the committee. In response to a question relating to the current risk score for IJB001 Governance Failure, the Internal Auditor agreed to consult with the Director and Standards Officer to assess whether the risk should be rescored in the short term pending the action plan being implemented to ensure future reporting deadlines were not missed.

It was recommended that the committee considers the risks identified, the control measures in place, and the risk actions in progress to mitigate their impact.

Decision

1. To note the contents of the report; and
2. To note that the Internal Auditor undertook to consult with the Director and Standards Officer to assess whether the risk relating to IJB001 should be rescored in the short term.

8. INTRENAL AUDIT OF THE SUSTAINABILITY OF PRIMARY CARE

The committee considered a report (copies of which had been circulated) by the Internal Auditor providing details of the internal audit of the risk in the IJB's risk register in relation to the sustainability of primary care, details of which was attached as an appendix to the report.

The Internal Auditor advised that in accordance with the internal audit plan for 2018/19, an audit of risk IJB010 "Sustainability of Primary Care" was undertaken, which was one of the IJB's high risks.

The objective of the audit was to review the key controls set out in the IJB's risk register to mitigate the risks. A high level review of the controls

was carried out and it was concluded that control was effective. The audit report included agreed management action as an action plan within the report. It was recommended that consideration be given to adding further risk actions to risk IJB010 in the IJB risk register to enable progress in implementing the Primary Care Implementation and Improvement Plan Work Plan to be recorded.

The General Manager, Primary Care and Community, then responded to questions from members of the committee and provided details of the mechanisms that were in place to ensure the implementation of agreed actions.

It was recommended that the committee considers the internal audit report and its findings, and notes that control was considered to be effective.

To note the contents of the report.

9. COMMITTEE SELF-ASSESSMENT - RESULTS

The committee considered a report (copies of which had been circulated) by the Director providing details of the results of the self-assessment survey of the committee's administrative arrangements and activity.

The committee considered a report (copies of which had been circulated) by the Director providing details of the results of the self-assessment survey of the committee's administrative arrangements and activity.

The report recalled that a questionnaire was developed to involve members in close consideration of the role of the committee and its members, its administrative arrangements and the context in which it operated. It was agreed by the IJB Audit, Risk and Governance Committee at its meeting held on 28 March 2018 that the questionnaire be circulated to committee members. The survey was issued on 23 May and members were asked to complete the survey by 8 June 2018.

The Project Officer advised the committee that the survey had been circulated to all members, not just the voting members of the committee, and was completed by five members. The results were anonymous and were attached as an appendix to the report.

During the course of the discussion the committee recommended that the survey be repeated for members of the Audit, Risk and Governance Committee in twelve months' time. Members were also advised that the exercise would be carried out with IJB Board members.

It was recommended that the committee;

- Notes the results of the self-assessment questionnaire; and
- Discuss if any actions should arise from the results.

Decision

1. To agree that the self-assessment questionnaire for the Audit, Risk and Governance Committee would be repeated in twelve months' time;
2. To note that the exercise would be carried out with IJB Board Members; and
3. To note the contents of the report and the results of the survey.

10. WORKPLAN

The committee noted the workplan (copies of which had been circulated).

The workplan was agreed subject to including the following:

- The Annual Accounts to be reported twice annually to the Audit, Risk and Governance Committee; and
- The IJB workplans should be populated with timelines for reporting to ensure statutory guidelines were met.