



**MINUTES OF THE MEETING OF THE
EAST LOTHIAN INTEGRATION JOINT BOARD
AUDIT & RISK COMMITTEE**

WEDNESDAY 29 JUNE 2022

**VIA DIGITAL MEETINGS SYSTEM/SALTIRE ROOMS, JOHN MUIR HOUSE,
HADDINGTON**

Members Present:

Ms Fiona Ireland (Chair)
Ms Elizabeth Gordon
Councillor Lyn Jardine
Mr David Binnie (NV)

Officers Present:

Claire Flanagan, Chief Finance Officer
Duncan Stainbank, Chief Internal Auditor
Iain Gorman, Head of Operations

In Attendance:

Jim Rundell, Audit Scotland
James Goodfellow, Audit Scotland
Lorraine Cowan, Chief Nurse / General Manager for Acute, Ongoing Care and
Community Nursing
Lesley Berry, General Manager –East Lothian Rehabilitation Service / East Lothian
AHP Lead
Paul Currie, Interim General Manager - Strategic Integration
Claire Goodwin, Assistant Strategic Programme Manager

Clerk:

Suzanne O’Kane

Apologies:

Councillor Lachlan Bruce
Ms F Wilson, Chief Officer / Director - East Lothian Health & Social Care Partnership

Declarations of Interest:

None

1. INTERNAL AUDIT UPDATE OF EAST LoTHIAN COUNCIL AND NHS LoTHIAN 2020/21 AUDIT REPORTS

A report was submitted by the Chief Internal Auditor.

Duncan Stainbank advised the Committee the purpose of the report was to inform the Committee of the recently issued audit report on Risk Management which has been undertaken as part of the Audit Plan for 2021/22. The main objective of the audit was to review the adequacy and effectiveness of the arrangements in place for Risk Management within East Lothian IJB. Duncan confirmed the main findings from their audit work are outlined in the report which has been graded **Reasonable Assurance**.

Duncan summarised the executive summary on page 5 of the report. Duncan highlighted the key findings –

- The risk management strategy and policy should be reviewed every 3 years and have not been reviewed since 2017 and the resultant review in 2020 did not take place as a result of other competing priorities. Management have agreed to revise the reports by December 2022.
- IJB risk reporting to the Audit and Risk Committee covers all risks without demonstrably subjecting High and Very High risk to closer scrutiny as indicated in the IJB Risk Strategy. Management have agreed to alter reports to focus on High and Very High risks by September 2022.
- To improve the level of insight on IJB risks, Risk Officers from the Council and NHS Lothian should be requested to present risk reports at least once a year. Management have agreed that this will be completed during 2022.
- The information provided within the risk reports needs to be presented in a consistent format. Management have agreed to complete this by September 2022.
- A policy allowing risks from the partners to be escalated to the Joint Board should be put in place. Management have agreed to complete this by December 2022.

Questions/comments –

Iain Gorman commented that the December 2022 timescale is to mirror the development of the new strategic plan.

Fiona Ireland asked if over the course of this audit, it was established whether the IJB explicitly decided to defer the review of the risk management strategy with Covid or implicit in moving to emergency footing. Duncan confirmed implicit due to other priorities took place and the intention was there to review at the appropriate time and now is the right time to link those reviews together as Iain mentioned.

With regard to objective 2, Fiona highlighted to the Committee, and asked that they acknowledge that the partnership risks were brought to the A&R committee on an annual basis, pre-covid and it was deferred as a consequence of the prioritisation of what came to A&R.

With regard to objective 5, Fiona highlighted this is fair in terms of the actions/comments. We have tried very hard in the Committee to be very clear that the IJB risk register/A&R Committee and looking at issues that de-rail the directions and not simply escalating operational risks.

Iain Gorman agreed with the point. Noted that the IJB need to consider updating directions and we update the risk assurance management process to align the risk to each of those strategic directions.

Claire Flanagan agreed with Iain's comments. Claire highlighted we don't want operational risks raised at the A&R Committee unless a direct impact of delivery of our strategic plan. What we do need is to refine the policy/strategy and how we pull the strategic risks into the IJB risk register for consideration.

Councillor Jardine would be keen to be involved with this and Fiona Ireland confirmed we will look at how best to involve everyone in developing these linkages and suggested that officers consider a development event for the committee to take this forward.

Duncan clarified all the items were there was a risk to the strategy had been discussed at the A&R Committee and IJB.

Decision

The Committee agreed to note the contents of the audit report.

2. ANNUAL INTERNAL AUDIT OPINION AND REPORT 2021/22

A report was submitted by the Chief Internal Auditor.

Duncan Stainbank presented the report on Budget Monitoring and had been undertaken as part of the Audit Plan for 2021/22. The main objective of the audit was to review the adequacy and effectiveness of the arrangements in place for budget reporting within East Lothian IJB. The main findings from the audit work are outlined in the report which has been graded **Reasonable Assurance**.

Duncan summarised the executive summary on page 21 of the report. Duncan highlighted the key findings –

- The East Lothian IJB had a budget of £161.7 million in 2020/21 and an annual budget of £165.8 million in 2021/22.
- The East Lothian IJB received approximately two thirds of its funding from NHS Lothian and one third from East Lothian Council.
- The East Lothian IJB has not prepared a multi-year financial plan based on the final budget offers from the financial partners, laying out how it will resource the delivery of its strategic plan. Management have agreed to prepare a new five year financial plan by December 2022.
- The arrangements currently in place for reporting projected financial out-turns to the East Lothian IJB require review to ensure that the breakdown of the annual budgets and forecasted expenditure are provided for both partners. Management have agreed to review the approach adopted by September 2022.
- The East Lothian IJB had a projected underspend for financial year 2021/22, however there was a lack of clear directive for allocating surplus funds to specific strategic objectives. Management have agreed to create a new direction for allocating the surplus by December 2022.

Questions/Comments –

Claire commented during the last two financial years there have been challenges around all the additional work the finance teams in both partners have undertaken, around governance, monitoring and tracking of the Covid monies. There has also been

a change in personnel of the Chief Finance Officer, which has resulted in a variation of finance reports. It was also mentioned that although there isn't a stand alone financial plan document which we may have had previously, we have the finance reports that have been presented at the IJB which could be refined into a stand alone document for the IJB. Claire also mentioned the reserves balances, given the lateness of receipt of these and the discussion that had taken place at the IJB to consider allocating them to a specific direction. Claire stated she would look at taking this forward with Claire Goodwin.

Fiona raised the term of the budget plan for NHS Lothian and ELC. Claire confirmed we generally have a formal 1-year budget offer and then 2 years of indicative allocations. NHS Lothian does have its 5-year financial plan so it would be possible for the IJB to develop a 5-year rolling plan. However Claire noted that the longer the outlook the more assumptions you must take into consideration and these are refined year on year. The 5 year plan is a challenge but something we can do based on a suite of assumptions. Fiona confirmed we look forward to seeing this by December.

Decision

The Committee agreed to note the contents of the audit report.

3. INTERNAL AUDIT REPORT – COMMUNITY HOSPITAL RE-PROVISIONING

A report was submitted by the Chief Internal Auditor.

Duncan Stainbank presented the report on Community Hospital Re-provisioning as part of the Audit Plan for 2021/22. The main objective of the audit was to review the adequacy and effectiveness of the arrangements in place for monitoring the Community Hospital Re-provisioning within East Lothian IJB. The main findings from the audit work are outlined in the report which has been graded **Reasonable Assurance**.

Duncan summarised the executive summary on page 33/34 of the report. Duncan highlighted the key findings –

- The overall capital cost for the construction of the East Lothian Community Hospital amounted to £73.3 million with the new facility having a floor area of 22,000 square metres and capacity to provide outpatient and chemotherapy treatment to 66,000 patients, alongside 112 inpatient beds across a number of clinical services.
- Running costs are forecast to be approximately £3.7 million per annum.
- There is no process for monitoring and reporting against service provision targets, identified through the Benefits Realisation Register/Plan or through agreement of other local and service specific measures of success. Management have agreed to identify a suite of key performance indicators and report against them by September 2022.
- Stage 3 and 4 evaluation exercises, recorded in the Business Case for the ELCH have not been scheduled. Consequently, there has been no formal assessment of the service outcomes from the commissioning of the Hospital in October 2020. Management have agreed to reschedule the evaluation exercise and link the reporting of the output to an appropriate East Lothian IJB Change board by September 2022.
- Reporting to the East Lothian IJB Change Boards does not include comparison with the expected performance as detailed within the ELCH Business Case and the anticipated benefits of the ELCH. Management have agreed to implement a

schedule for reporting performance information to the appropriate East Lothian IJB Change Boards by September 2022.

Duncan noted regular detailed reports of performance and capacity issues for services operating within the hospital is completed and reviewed by the appropriate governance reports.

Questions/comments –

Fiona raised the question as to whether the Change Boards have a performance monitoring function. Fiona highlighted her understanding as a Co Chair of a Change Board is that it is not in their remit to monitor against KPIs; each Change Board has allocated directions and they are responsible for ensuring that plans that come forward are aligned to directions/plan and plans then enacted once approved. Fiona asked if the recommendation was proposing to change the remit of the change boards. Duncan confirmed not the intention to move the remit. In respect of this, the outcomes being delivered of the hospital is something the change board looking at, ensuring directions have been implemented and delivering the outcomes being delivered. KPIs are a management function.

Ian Gorman confirmed performance management role is and remains the responsibility of the officers of the HSCP. The role of the change board is to evidence the way in which the direction has been delivered.

Decision

The Committee agreed to note the contents of the Audit Opinion and Report.

4. ANNUAL INTERNAL AUDIT OPINION AND REPORT 2021/22

A report was submitted by the Chief Internal Auditor.

Duncan Stainbank presented the report on the Annual Internal Audit Opinion Report 2021/22. Duncan advised the purpose of the report and advised the internal audit reports functionality to the A&R Committee and has direct access to Senior Management, the Chair of the A&R Committee and the Chair of the IJB. Confirmed that subject to the weaknesses outlined in section 3.14, that reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year to 31 March 2022.

Duncan summarised the areas identified with scope for improvement.

Decision

The Committee agreed to note the recommendation of the report.

5. IJB DRAFT (UNAUDITED) ANNUAL ACCOUNTS FOR 2021/22

A report was submitted by the Chief Finance Officer of the IJB.

Claire Flanagan presented the report for the IJB's draft (unaudited) Annual Accounts for 2021/22. Claire confirmed the recommendations the committee is asked to consider. Once audited they will return to the A&R Committee with the external audit report in September in final version. Claire highlighted the accounts did prove more challenge due to the additional Covid costs, funding streams and other funding streams in both partner organisations.

Claire summarised the main points –

- Management commentary which summarises the 2021/22 work of the IJB
- Role and remit of the IJB, presents the members of the board
- The change in personnel and where replacement of additional appointments that have been made
- Summary of the operations of the IJB
- Covid pandemic and impact of this
- IJB strategic plan being updated for 2022-2025 and the IJB's infrastructure supporting this development
- Operations of the IJB, highlighting these in core, hosted and set aside services
- Summarised year end position
- Claire highlighted page 60 of the report as the figures stated are incorrect from what is show. Claire will circulate an updated version before submitting to audit. Claire confirmed the actual figures are £20.2 million of total reserves, £4.8 million of general reserves, £6.2 million of earmarked reserves excluding Covid and £9.2 million of Covid reserve.
- IJB challenges and external factors which would impact on the IJB
- Risk and uncertainties
- Statement of responsibility
- Remuneration report
- Annual Governance Statement
- Independent Auditor's Report
- Financial Statements

Questions/comments –

Fiona asked with regard to the £9.1m of Covid reserves being both non-recurring and allocated directly to the IJB by the Scottish Government how the allocation would be managed where required to support non-delegated functions within the NHS? How will play out from the IJB perspective?. Claire confirmed we did have a Covid reserve at the start of the financial year due to additional funding, which is non-recurring, but we have begun an assessment regarding the Covid services and their potential decommissioning and exiting of them and the impact of this. We will look at re-allocating other new recurring funding to these areas. In terms of non-delegated, Claire confirmed all Covid funding across Scotland is sitting within the Covid reserves and there is no other Covid funding. This can only be used for delegated functions. Scottish Government have had to provide funding for non-delegated functions - c£47 million to NHS Lothian. Claire confirmed she is unaware of the source for this funding. Fiona asked if this is an issue for the IJB or something we don't need to concern ourselves with. Claire confirmed its something we need to be aware of.

Elizabeth Gordon asked in terms HSCP delivering a vaccine program, will there be an expectation that those reserves will be used for that. Claire confirmed both the HSCP delivered service and those functions co-ordinated on a PAN Lothian, which are delegated functions, could be supported through the IJB reserves.

Councillor Jardine asked regarding the NHS Lothian funding of the £47 million where it might come from. Claire confirmed she would need to get clarity on the position nationally.

Decision

The Committee agreed the recommendations unanimously.

6. RISK REGISTER: UPDATE

A report was submitted by the Chief Finance Officer of the IJB.

Claire Flanagan presented the paper for the IJB's risk register. It was highlighted the risk register was drafted and finalised prior to the audit. Moving forward this is likely to change following on from the comments that were discussed earlier. There hasn't been a significant movement from March 2022. Only change under the progress for financial resources, there has been additional progress and the IJB setting its budget at March 2022 meeting. Also, to note the IJB is going through a programme of induction for the new members.

Questions/comments –

Fiona raised the point we need to keep the Covid risk on the register especially with the cases on the rise again. Iain agreed with this point due to the uncertainty and pressures we are facing.

David Binnie raised the issue around looking at only the high and very high risks. David asked will we still have sight of the other risks. Duncan confirmed the proposed approach was the high and very high risks being discussed at every meeting and once per year have a meeting with all the risks being discussed for scrutiny. There was a discussion around this and as the recommendations of the audit had been approved it was agreed the revised format would be brought to the next A&R for discussion. External audit confirmed this was the approach that has been adopted at other committees.

Decision

The Committee agreed to note the current risk register and consider if any further risks should be added to the register.

7. ACTION LOG

A report was submitted by the Chief Finance Officer of the IJB.

Claire Flanagan presented the current action log to the committee and discussed the current actions. Claire confirmed these will be presented at the next IJB.

Decision

The Committee agreed to note the current action log and suggest any amendments/updates.

Signed

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Fiona Ireland

Chair of the East Lothian IJB Audit & Risk Committee