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Agenda Item: 6

## **Integration Joint Board – Audit Committee**

Wednesday, 23 June 2021, 11:30.

Microsoft Teams.

### **Minute**

#### **Present**

- Davie Campbell, Non-Executive Director, NHS Orkney.
- Jim Lyon, Interim Head of Children and Families, Criminal Justice and Chief Social Work Officer, Orkney Islands Council.
- Councillor John T Richards, Orkney Islands Council.
- Frances Troup, Head of Community Learning, Leisure and Housing, Orkney Islands Council.

#### **Clerk**

- Sandra Craigie, Committees Officer, Orkney Islands Council.

#### **In Attendance**

##### **Orkney Health and Care:**

- Stephen Brown, Chief Officer.
- Pat Robinson, Chief Finance Officer.

##### **Orkney Islands Council:**

- Andrew Paterson, Chief Internal Auditor.
- Karen Bevilacqua, Solicitor.
- Peter Thomas, Internal Auditor.

##### **Audit Scotland:**

- Claire Gardiner, Senior Audit Manager (for Items 1 to 5).
- Caitlin Abernethy, Trainee Auditor.

##### **Azets:**

- Matthew Swann, Associate Director.

## **Observing**

- Rebecca McAuliffe, Press Officer, Orkney Islands Council (for Items 5 to 12).

## **Chair**

- Councillor John Richards, Orkney Islands Council.

### **1. Apologies**

Apologies for absence had been intimated on behalf of the following:

- David Drever, NHS Orkney.
- Councillor Stephen Sankey, Orkney Islands Council.

### **2. Declarations of Interest**

There were no declarations of interest intimated in respect of items of business to be discussed at this meeting.

### **3. Minute of Previous Meeting**

There had been previously circulated the draft Minute of the Meeting of the Audit Committee held on 10 March 2021.

The Minute was **approved** as a true record, being proposed by Davie Campbell and seconded by Councillor John Richards.

### **4. Matters Arising**

There had been previously circulated the matters arising log from the meeting held on 10 March 2021, which included the following actions:

#### **4.1. Action 1: Finance Workshop**

Pat Robinson confirmed that the minutes of the development session had been circulated. The action log from the points raised at the workshop had been updated and would be considered by the Chief Officer prior to circulation to members.

#### **4.2. Action 3: Audit Output Dates**

Pat Robinson advised that the draft Annual Accounts would be presented at today's meeting. Due to COVID-19 and capacity issues, the final Annual Accounts would be delayed until 17 November 2021. This had been agreed with Audit Scotland.

Regarding the development session for set aside, Pat Robinson advised that the Chief Officer would, in the first instance, contact the Scottish Government to ascertain what it felt the IJB should be doing regarding set aside. It was hoped that a date for the development session would be arranged in the near future.

The development session regarding responsibilities for the annual accounts had been set for 6 July 2021 where Audit Scotland would give a presentation.

### **4.3. Action 4: Internal Audit Report – Corporate Governance**

Pat Robinson confirmed that she had received the Pension Fund Sub-committee/ Board's model for training and participation records from colleagues at Orkney Islands Council. However, due to capacity issues this had not been progressed but would be in the near future.

### **4.4. Regular Reports Required**

Matt Swann commented that as the internal and external Audit Plans, as well as the draft and final Annual Accounts, were noted on the final page of the matters arising log, he would have expected to see the Annual Reports for both internal and external audit included on the list for completeness. Pat Robinson and Stephen Brown confirmed that they were happy for this to be added to the matters arising log.

## **5. Internal Audit – Annual Report**

There had been previously circulated a report presenting Azets' Internal Audit Annual Report 2020/21, for scrutiny and consideration.

Matt Swann referred members to page 3 of Appendix 1, the overall internal audit opinion, where Azets' opinion was that the Orkney Integration Joint Board had a framework of controls in place that provided reasonable assurance regarding the organisation's governance framework, related internal controls, effective and efficient achievement of objectives and the management of key risks.

He then referred members to Appendix 2, pages 9 and 10, and the two areas marked as "partially conforms", namely Quality Assurance and Improvement Programme and Co-ordination and Reliance. To provide assurance to the IJB Audit Committee, the reason for this being marked as "partially conforms" was due to it being based on work carried out in July 2018 which, at that time, were relatively new areas of additions to the standards and these points required to be formally documented within Azets' processes. This process had now been updated. However, it would remain marked as "partially conforms" until the next external review process.

Councillor John Richards highlighted section 7.1 of the report where there were no risk or equality implications associated with the report and the provision of an annual internal audit option strengthened the governance arrangements of the IJB and stated that this was very welcome.

Davie Campbell thanked Matt Swann for the assurance and made a request to the full IJB that this assurance be used as a foundation to promote governance arrangements and reporting channels to members, officers and the public. He continued that this was the third year that he had sat on the IJB Audit Committee and the previous year was the first year that it had been an inclusive approach to the internal audit whereby internal auditors, officers and members worked together to shape what was required to be covered. He made a plea that that process continued going forward.

The Audit Committee thereafter noted the Internal Audit Annual Report 2020/21, attached as Appendix 1 to the report circulated, and took assurance.

## 6. Draft Annual Accounts

There had been previously circulated a report presenting the draft Annual Accounts for financial year 2020/21, for scrutiny and consideration.

Pat Robinson presented the accounts and confirmed that, unfortunately, it had not been possible to organise a development session in relation to responsibilities of the annual accounts with Audit Scotland prior to this meeting. However, the development session had been organised for 6 July 2021.

Referring to page 3 of the draft Annual Accounts, she highlighted a number of changes within the membership which had taken place, including:

- Issy Grieve taking over as Chair, with Rachael King reverting to Vice Chair from 14 May 2021.
- Gillian Morrison, Interim Chief Officer from 31 August 2020 to 23 May 2021.
- Stephen Brown commencing as Chief Officer from 24 May 2021.
- Jim Lyon, Interim Chief Social Work Officer from 24 June 2020.
- Danny Oliver, Staff Representative, Orkney Islands Council, appointed on 10 February 2021
- Joyce Harcus, Unpaid Carer Representative who had been appointed on 9 December 2020.

She continued that, as a direct result of the COVID-19 pandemic, 2020/21 had been the most challenging and complex financial year. The impact of COVID-19 on services commissioned by Orkney IJB had been unprecedented which required a significant degree of service change within a short period of time and had a substantial financial impact, which was likely to continue over the medium term. All frontline staff had attended workplaces and undertook frontline duties, including seeing all vulnerable people, where feasible, within the Scottish national guidelines. Some services required to change their models of delivery in line with the guidance – for example, Day Centres closed, and staff were deployed to deliver outreach support. The partners also ensured that staff had the relevant IT equipment to enable services to continue as much as possible. Staff capacity was an issue pre-pandemic due to an almost full employment market in Orkney, therefore there had been a requirement to employ further agency staff to ensure a safe and substantial service.

Pat Robinson highlighted that it should be recognised that there were significant financial costs in relation to COVID-19. The income received in respect of services delegated to the Orkney IJB was £3.8 million. The Scottish Government also confirmed non-recurring COVID-19 specific funding as part of its 2021/22 budget settlement mainly in relation to funding sustainability payments, ongoing PPE costs, additional costs and income loss linked to COVID-19.

Pat Robinson then highlighted the following areas of the report to members:

- Page 8: Key Priorities for Recovery – which presented how key priorities for recovery were being managed.
- Page 9: Operational Review – which presented how operational review was managed.

- Page 10: Independent Audit Social Care Review – the aim of the review was to recommend improvements to adult social care in Scotland by people who used the services, their carers and families, as well as the experience of people who worked in adult social care. The Health Secretary accepted the findings of the review and was working on key recommendations. There had been an announcement of the Community Living Change Fund which was for the redesign of services for people with complex needs. Orkney’s allocation was £81,141.
- Page 10: Climate Change – the Climate Change Duties report related to policies and emissions associated with the employment of staff, ownership and occupation of buildings, plant and vehicles and the delivery of services. The content of the report was limited as the IJB did not directly deliver any of those services. The Scottish Government recognised that in the Guidance issued to health and social care partnerships and a representation had been made at the request of the Orkney IJB to make reporting more meaningful.
- Pages 11 and 12: Performance Reporting – Pat Robinson apologised that this information was out of date due to the performance report being delayed until November. However, the Performance and Planning Officer had now been recruited so as soon as the information was available this would be updated and circulated to members.
- Page 14: Financial Performance – the outturn position showed an overall underspend of £2.323 million at the financial year end. Pat Robinson confirmed that, following an earlier email query from Councillor Steve Sankey, she proposed that a table be added on page 14 showing a breakdown of the funding which was mainly in relation to Primary Care and the Primary Care Improvement Fund, Alcohol and Drug Prevention, Community Living Fund, additional funding for integration support, and also £671,000 in relation to COVID-19 funding which would be used in 2021/22.
- Page 16: Set Aside – as had been highlighted earlier, it was hoped that the development session would be progressed as soon as possible.
- Page 17: Financial Outlook – there was a savings target of £4.2 million to be achieved by the end of 2022/23. As yet, only £258,000 of recurring saving had been identified. It had been agreed that there would be dedicated finance meetings scheduled with the Chief Officer and the Director of Finance, NHS Orkney, to look at efficiency savings.
- Page 18: Management of Risks which were highlighted at the IJB meetings within the Risk Register.
- Page 24: Remuneration Report – this only applied to the Chief Officer and the Chief Finance Officer who were seconded to the IJB.
- Page 27: Annual Governance Statement – the CIPFA/SOLACE framework for “Delivering Good Governance in Local Governance” (2016 Edition) provided a structured approach in defining the principles which should underpin governance arrangements of the IJB.
- Page 31: Review of Adequacy and Effectiveness – Matt Swan had already highlighted corporate governance, and this ensured that the full story was told within the one document. It also highlighted the Action Plan.
- Page 35: Comprehensive Income and Expenditure Statement – some figures would look out of line which in some cases were due to the COVID-19 figures which were incorporated within each of the services. It should be recognised that

there will be variances. Once External Audit have completed their audit, answers will be provided for the main variances.

Following a query from Councillor John Richards, Pat Robinson confirmed that regarding the recruitment drive on page 16, 20 people had applied for positions of which eight were appointed. All 20 of those who applied had been offered interviews, with 13 accepting. Of the five unsuccessful candidates, two wanted additional posts which were not available and three withdrew for other genuine reasons.

Following a query from Davie Campbell regarding whether all of the £2.3 million underspend on page 14 of the draft Annual Accounts was restricted in nature, Pat Robinson confirmed that most of it was in relation to earmarked reserves. She further commented that there was funding that was classed as integration support which was non-recurring.

Stephen Brown confirmed that he had come into the process very late. By the time he took up post, Pat Robinson had essentially prepared the draft Annual Accounts. He highlighted it was incredible that many of the developments undertaken in the last year had happened mid-pandemic which was testament to the services, managers and staff involved that such a considerable amount had been achieved. He also wanted to acknowledge the work of his predecessor, Gillian Morrison, who had stepped in on an interim basis. It was obvious to him that there had been a significant amount of work done by her during her time and he wanted to formally acknowledge this.

Frances Troup thanked officials for the report which she found very interesting to read. What struck her was how different the report was in the context of COVID-19 from normal years. She was also struck by how much work had gone in to both the delivery of the report and the delivery of services all the way through the pandemic, as well as how much commitment there had been from staff. She raised a slight concern regarding the level of uncertainty around COVID-19 going forward as there was so much unknown about the impact it may have on services and budgets.

Councillor John Richards thought it was a most interesting and informative finance report and would make sure that it was circulated to all elected members of the Council to give them a greater understanding of the role of the IJB and the role of staff involved in the health and care field. Regarding mention of the Kirkwall care facility on page 9, he informed the meeting that following a recent meeting of the Council's Policy and Resources Committee, where the delivery plan had been reviewed, there may be slippage on the original operational date from the beginning of 2024 to the end of December 2024.

The Audit Committee thereafter noted:

**6.1.** That, as Integration Joint Boards (IJBs) were specified in legislation as “section 106” bodies in terms of the Local Government (Scotland) Act 1973, consequently they were expected to prepare their financial statements in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom.

**6.2.** The Management Commentary, comprising pages 5 to 21 of the draft Annual Accounts, attached as Appendix 1 to the report circulated, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2021.

**6.3.** The draft Annual Governance Statement, comprising pages 27 to 33 of the draft Annual Accounts, attached as Appendix 1 to the report circulated.

The Audit Committee reviewed and thereafter **approved:**

**6.4.** The draft Annual Governance Statement and the draft Annual Accounts for financial year 2020/21, attached as Appendix 1 to the report circulated.

## **7. Internal Audit Reporting Protocol**

There had been previously circulated a report presenting the revised Internal Audit Reporting Protocols, for consideration and approval.

Andrew Paterson highlighted that the previous protocol was approved in 2016 and required updating to reflect changes such as the appointment of the Chief Internal Auditor for the Orkney Integration Joint Board, which was now for a period of five years rather than two. He further highlighted that, at the meeting of the Council's Monitoring and Audit Committee held on 10 June 2021, powers had been delegated to the Chief Executive to amend the Orkney Integration Joint Board Internal Audit Reporting Protocol should changes be made following consideration by the IJB Audit Committee and NHS Orkney's Audit Committee.

Following a query from Pat Robinson, Andrew Paterson confirmed that the word "parent" in the last paragraph on page 1 would be changed to "partner".

The Audit Committee thereafter noted:

**7.1.** That an Internal Audit Reporting Protocol was in place to enable the sharing of internal audit findings between the IJB, NHS Orkney and Orkney Islands Council, whereby the findings had a wider relevance beyond the organisation that commissioned the audit.

**7.2.** That the existing Internal Audit Reporting Protocol, approved in 2016, required updating.

**7.3.** That an earlier draft of Internal Audit Reporting Protocol was considered by the Council's Monitoring and Audit Committee on 10 June 2021, with the Committee subsequently recommending that powers be delegated to the Chief Executive, Orkney Islands Council, to amend the protocol, should any amendments be proposed by the IJB Audit Committee and/or NHS Orkney's Audit Committee.

The Audit Committee **approved:**

**7.4.** The Internal Audit Reporting Protocol, attached as Appendix 1 to the report circulated.

## **8. Internal Audit Charter 2021/22**

There had been previously circulated a report presenting the Internal Audit Charter 2021/22, for consideration and approval.

Andrew Paterson stated that, in order to comply with the Public Sector Internal Audit Standards, an Audit Charter was required which should be subject to periodic review. The Charter set out the purpose, authority and responsibility of Internal Audit and described the nature of the services Internal Audit could provide, access Internal Audit was given and reporting procedures which were in place. The Charter had been updated to ensure it continued to comply with the Public Sector Internal Audit Standards and to ensure it provided a service that was relevant and continued to add value to the IJB.

The Audit Committee thereafter noted:

**8.1.** That, in order to comply with the Public Sector Internal Audit Standards, an Internal Audit Charter, which defined the purpose, authority and responsibility of the Council's internal audit activity, required to be prepared.

**8.2.** That, the current Internal Audit Charter, approved in November 2020, required updating due to the change in Chief Internal Auditor.

The Audit Committee **approved**:

**8.3.** The Internal Audit Charter 2021/22, attached as Appendix 1 to the report circulated.

## **9. Internal Audit Strategy and Plan 2021/22**

There had been previously circulated a report presenting the Internal Audit Strategy and Plan 2021/22, for consideration and approval.

Following a query from Councillor John Richards, Andrew Paterson confirmed that the green shaded area on page 3 of the Internal Audit Plan 2021/22 was to reflect the audit work for the coming year. The table on page 3 showed the risk scores which came from the risk assessment. It also included auditable areas and the dates when they were last audited. He also highlighted that there were two further areas which were provisionally marked for 2022/23.

Councillor John Richards queried if a member had a particular concern was there any contingency built into the auditing process. Andrew Paterson confirmed that, although there was no contingency, there was flexibility so, should an issue arise, that risk would replace one of the proposed audit areas for the coming year if it were a higher risk to the IJB.

Davie Campbell confirmed that he was happy with the two areas which were due to be worked on this year, particularly Information Governance and Data Sharing, as there had been issues with both partners recently so he felt this was a timely intervention.



The Audit Committee thereafter noted:

**9.1.** That a comprehensive audit planning process had been undertaken by the Chief Internal Auditor for 2021/22.

The Audit Committee **approved**:

**9.2.** The Internal Audit Strategy and Plan for 2021/22, attached as Appendix 1 to the report circulated.

## **10. Carers (Scotland) Act 2016**

There had been previously circulated a report presenting Orkney Islands Council's internal audit report relating to progress made in implementing the requirements of the Carers (Scotland) Act 2016, for information.

Andrew Paterson stated that the audit circulated had been commissioned by Orkney Islands Council and, in terms of the reporting protocol referred to at item 7 above, was now being reported to the IJB Audit Committee. The Carers (Scotland) Act 2016 came into effect on 1 April 2018 with the aim of ensuring better and more consistent support for carers and young carers. The objective of the audit was to review progress made in implementing the requirements of the Act. The audit provided adequate assurance around progress made, with the recommendations detailed within the Action Plan.

Councillor John Richards commented that there were approximately 3,500 to 4,000 people caring for others in Orkney which was a remarkable proportion of the population. He was shocked to learn that across Scotland there were many carers not known to the system.

Following a query from Davie Campbell seeking assurance whether the target dates quoted in the Action Plan were realistic to achieve, Jim Lyon responded that as some members may be aware a number of the targets had already been met either on or in advance of the date. However, a number of dates had been missed recently as staff resources had been diverted due to an ongoing review by the Care Inspectorate, which had been acknowledged by the Chief Officers' Group (COG). Both Chief Executives of the Council and the Health Board had indicated that additional help or support would be available. Regarding the reassurance Davie Campbell was seeking of meeting the target dates, as it stood at the moment none of the responsible officers had indicated an issue with reaching the proposed dates. He emphasised that it was important to understand the whole process and to reassure that there were tight control mechanisms in place. He made comment that the service would be taking forward the priorities identified by the progress report, some of which might already be on the existing action plan. It had already been identified that there was a requirement to escalate the work needed on chronology of significant events.

Councillor John Richards referred to the columns in the action plan which were "agreed completion date" and to clarify he stated that the dates set were not set specifically by internal audit but were dates agreed with officers.

The Audit Committee thereafter noted:

**10.1.** That the Council's Internal Audit had undertaken an audit of progress made in implementing the requirements of the Carers (Scotland) Act 2016.

**10.2.** That the Internal Audit report, attached as Appendix 1 to the report by the Chief Internal Auditor, was scrutinised by the Council's Monitoring and Audit Committee on 10 June 2021.

**10.3.** The findings of the Internal Audit Report – Carers (Scotland) Act 2016, as attached as Appendix 1, to the report by the Chief Internal Auditor.

## **11. Date and Time of Next Meeting**

It was agreed that the next meeting be held on Wednesday, 25 August 2021 at 14:00.

It was noted that the following date had also been scheduled:

- Wednesday, 17 November 2021 at 11:30.

## **12. Conclusion of Meeting**

There being no further business, the Chair declared the meeting concluded at 12:25.