



**Stephen Brown (Chief Officer)**

Orkney Health and Care

01856873535 extension: 2601

[OHACfeedback@orkney.gov.uk](mailto:OHACfeedback@orkney.gov.uk)

Agenda Item: 3

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

Wednesday, 16 March 2022, 09:30.

Microsoft Teams.

### **Minute**

#### **Present**

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

#### **Clerk**

- Hazel Flett, Senior Committees Officer, Orkney Islands Council.

#### **In Attendance**

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

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

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

- Katharine McKerrell, Solicitor.
- Andrew Paterson, Chief Internal Auditor.

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

- Claire Gardiner, Senior Audit Manager.

##### **Azets:**

- Matthew Swann, Associate Director.

## **Observing**

- Lorraine Stout, Press Officer, Orkney Islands Council.

## **Chair**

- Councillor Stephen Sankey, Orkney Islands Council.

### **1. Introduction and Apologies**

The Chair welcomed everyone to the meeting and reminded members that the meeting was being recorded and broadcast live over the Internet on Orkney Islands Council's website. The recording would also be publicly available following the meeting and available for listening to for 12 months thereafter.

No apologies for absence had been intimated.

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

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

### **3. Minutes of Previous Meeting**

There had been previously circulated the draft Minute of the Meeting of the Audit Committee held on 17 November 2021.

The minute was **approved** as a true record, on the motion of Councillor Stephen Sankey, seconded by Councillor John T Richards.

### **4. Matters Arising**

There had been previously circulated the Matters Arising Log from the meeting held on 17 November 2021, for consideration and to enable the Committee to seek assurance on progress, actions due and to consider corrective action, where required.

#### **4.1. Action 4 – Adoption Allowances and Kinship Payments**

The Chair asked what timescale was proposed for submitting a policy to the Integration Joint Board (IJB) in respect of adoption allowances and kinship payments. Stephen Brown advised that initial benchmarking had commenced as, currently, there was no national allowance or payment rates – it was up to each individual authority to set their own rates which, from that initial benchmarking, indicated quite significant differences.

As regards a timescale for reporting, Stephen Brown advised, and Jim Lyon confirmed, that resources were currently diverted to the second progress review of the initial inspection of children's services, with preparation also started on yet another regulatory service inspection.

Both Davie Campbell and Councillor John Richards indicated the value of internal audit, in that a specific area had been identified which had required review and confirmation of the appropriate governance route as well as the lack of any national benchmarking. Although a timescale could not be confirmed, it was agreed that this action remain on the Matters Arising Log, with a medium term timescale, to enable the Committee to be advised as and when progress was made.

## **5. External Audit – Annual Audit Plan**

There had been previously circulated a report presenting Audit Scotland's Annual Audit Plan for 2021/22.

Claire Gardiner advised this was the sixth, and final, year of Audit Scotland's appointment, with the initial five year appointment extended due to the challenges of COVID-19. Audit Scotland continued to assess the risk to public services and finances from COVID-19 across the full range of their audit work, including annual audits and the programme of performance audits. However, the well-being of audit teams and delivery of high quality audits remained paramount which could result in changes to their approach, including revisions to the Annual Audit Plan, if required. Her team would also be working with their successors to ensure a well-managed transition.

In relation to the Annual Audit Plan presented to the Committee, Claire Gardiner highlighted the following points:

- Financial statements:
  - Audit planning and materiality levels.
  - Significant risks of material misstatement to the financial statements, with only one risk identified, which was a generic risk in all audits, namely the risk of material misstatement due to fraud caused by the management override of controls.
  - The risk being rebutted as the IJB did not raise any revenue directly, with all funding agreed by Orkney Islands Council and NHS Orkney as part of their budgeting processes and agreed by third party documentation.
  - Further, expenditure was incurred and processed by the partner bodies and was generally a high volume of low value transactions.
  - One area of specific audit focus would be payments to primary care contractors, which was a material and complex account area, with payments totalling around £10 million each year. Audit Scotland would liaise with the auditor of NHS to provide assurance over primary care expenditure recorded in the IJB financial statements.
- Wider audit dimensions – three audit dimension risks had been identified, as detailed below, together with sources of assurance from management arrangements and further audit procedures to gain assurance:
  - Financial sustainability.
  - Performance and best value reporting.
  - Unscheduled care (set aside).

The timetable for the audit outputs was detailed on page 11 of the Annual Audit Plan and reflected pre-Covid timescales, with sign off for the financial statements scheduled for September 2022, bearing in mind the well-being of audit teams referred to earlier and the potential for change, if required. The proposed audit fee for 2021/22, at £27,960, was a modest increase on the fee for the 2020/21 audit (£27,330) and was set by a central team in Audit Scotland.

In conclusion, Claire Gardiner reminded the Committee of Audit Scotland's independence and quality control standards.

The Committee had no detailed questions in respect of the content of the Annual Audit Plan and the Chair thanked Claire Gardiner and her colleagues for all their work over the past five years.

The Committee thereafter noted the external audit plan for 2021/22, prepared by Audit Scotland, attached as Appendix 1 to the report circulated.

## **6. Proposed Amendments to Terms of Reference**

There had been previously circulated a report presenting proposed terms of reference for a Performance and Audit Committee.

Stephen Brown advised that, following his appointment in May 2021, discussions had commenced with members of all the sub-groups reporting to the Integration Joint Board about the functioning, effectiveness and terms of reference of each of the groups. This had then enabled a review of the entirety of the IJB's governance arrangements.

Regarding the Audit Committee, the most significant proposal was to extend the remit to include performance which, currently, did not appear to have a natural place for scrutiny in order to provide the IJB with assurance. Work was currently ongoing in finalising the next Strategic Plan and, assuming the IJB approved the proposals, it was proposed that quarterly performance reporting to the new Committee would commence, which would focus on priorities within the approved Strategic Plan. The performance report would be iterative and feedback sought from members on the detail of the report to make the process effective and efficient.

Frances Troup was in favour of the proposed changes and asked that her job title in the proposed terms of reference be amended to reflect recent changes in the management restructure. Davie Campbell and Councillor John Richards also welcomed the proposal to incorporate performance into the remit of the Committee. Joanna Kenny remarked that, as a new member, the proposed terms of reference were clear and succinct.

The Committee noted:

**6.1.** That the Integration Joint Board currently had four sub-committees, namely:

- Strategic Planning Group.
- Audit Committee.
- Joint Staff Forum.
- Joint Clinical and Care Governance Committee (shared committee with the NHS).

**6.2.** That, with the appointment of a new Chief Officer, an opportunity arose to revisit the function, purpose and effectiveness of each of the sub-committees.

**6.3.** That work had been undertaken with members of all sub-committees to explore how to maximise each sub-committee's contribution to the business of the Board.

The Committee **endorsed**:

**6.4.** The proposed expanded remit of the Committee to include performance and the proposed changes to the Terms of Reference, attached as Appendix 1 to the report circulated, which would be considered by the Integration Joint Board on 22 March 2022.

## **7. Internal Audit Strategy and Plan**

There had been previously circulated a report presenting the Internal Audit Strategy and Plan for 2022/23, for consideration.

Andrew Paterson advised that the Public Sector Internal Audit Standards included a requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation's goals. The audit plan was prepared on an annual basis and continually reviewed, adjusted if necessary in response to changes to the risk profile.

A risk based planning process had been undertaken, including the following activities:

- Reviewing the IJB risk register.
- Reviewing strategic and operational plans.
- Reviewing external audit reports to identify areas of concern.
- Audit work previously undertaken, and the conclusions reached as to whether the systems examined were sound, or that there were weaknesses in the internal controls.
- Any known relevant changes in legislation.
- Consultation with the Chief Officer and the Chief Finance Officer to risk assess all service areas and to identify areas of concern which would merit audit attention.

The internal audit plan for 2022/23 identified auditable areas with risk scores, with two areas highlighted in green recommended for audit, namely:

- Performance Management.
- Workforce Planning.

The Chair referred to the risk scores and, while he appreciated that the two highest ranked areas were recommended for audit work, Locality Planning also scored highly and he queried when it might be considered for audit, particularly as recent planning legislation also focussed on localities. Andrew Paterson advised that, when it was last audited in October 2019, locality planning was at an early stage, with little progress since, due in part to COVID-19, therefore it was not considered best value to undertake a further audit at this time.

Stephen Brown concurred with Andrew Paterson's view on the value of an audit. Further, locality planning was linked to the development of the Strategic Plan, with emerging themes from a locality perspective, and it would be more appropriate to let that process embed and develop before consideration was given to prioritising locality planning for further audit work.

Davie Campbell advised he was disappointed that, despite an inclusive approach to internal audit planning being minuted previously, that process had not occurred in the drafting of the current internal audit plan. In relation to the areas identified for audit during 2022/23, he asked whether the 10 audit days could be focussed on workforce planning, given that it was consistently mentioned at meetings, whereas performance management was still in development.

Pat Robinson apologised for the omission in the planning process which was, in part, due to the appointment of both a new Chief Officer and Chief Internal Auditor, and confirmed this would be reinstated going forward.

Andrew Paterson confirmed that the number of audit days was restricted, in that they were drawn from the contingency element of both partners' internal audit plans. He considered that the audit of workforce planning, although a significant matter, should not take more than five days, but suggested that he should concentrate on that audit initially and leave performance management to nearer the end of the financial year, by which time processes would be further embedded.

Stephen Brown advised that, had the inclusive approach been adopted, this would have averted discussion on the detail of the proposed internal audit plan. He advised that his request for an audit on performance management was more in relation to the challenges in the process of bringing together the information required for the Annual Performance Report, rather than performance management per se.

The Committee noted:

**7.1.** That a comprehensive audit planning process had been undertaken by the Chief Internal Auditor for 2022/23.

The Committee **resolved**:

**7.2.** That the Internal Audit Strategy and Plan for 2022/23, attached as Appendix 1 to the report circulated, be approved, on the basis that the audit on Workforce Planning be prioritised, with a review mid-year to determine whether the audit on Performance Management should commence, bearing in mind the number of audit days taken to conclude the Workforce Planning audit.

## **8. Internal Audit – Risk Management**

There had been previously circulated a report from Internal Audit reviewing risk management arrangements in place within the Integration Joint Board, for scrutiny.

Matthew Swann confirmed that the audit provided assurance that there were controls in place in relation to risk management in the areas reviewed, which were generally well designed and implemented. There were also clear processes for identifying and classifying risks and the way in which risks were documented and monitored, with areas of good practice highlighted.

Two areas for improvement to enhance the control framework had been identified and would be progressed as a matter of priority.

Davie Campbell commented that he was not aware of the IJB having considered its risk appetite and requested that consideration be given to a facilitated development session.

The Committee scrutinised the findings of the internal audit relating to the review of risk management arrangements and obtained assurance.

## **9. Internal Audit – Information Governance and Data Sharing**

There had been previously circulated a report from Internal Audit reviewing processes and controls in relation to compliance with the seven key principles of the UK GDPR and data sharing agreements with partner organisations.

Andrew Paterson advised that, although the IJB's activity, being a commissioning agent, did not require it to handle any personal or sensitive data relating to service users, the IJB was considered a data controller for the limited personal data it may hold and was required to comply with data protection legislation and information sharing protocols. The audit had provided substantial assurance, with three recommendations – two low priority and one medium priority.

The Chair acknowledged the substantial assurance and referred to the three recommendations, all of which had target dates which had subsequently expired and sought assurance on progress to date. Stephen Brown was delighted to report that all recommendations had been implemented and were complete, in that the websites had been updated, the service agreement between the Chief Officer and the Data Protection Officer signed off and a register of data sharing agreements, memoranda of understanding or other relevant documents established. It was confirmed that the term "champions" referred to the Directorate Secretaries, who would be responsible for maintaining the database of documents.

The Committee scrutinised the findings of the internal audit reviewing processes and controls in relation to compliance with the seven key principles of the UK GDPR and data sharing agreements with partner organisations, and obtained assurance.

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

As this was the last meeting of the Committee prior to the Local Government Election on 5 May 2022, the Chair took the opportunity to extend his thanks to both internal and external audit teams, Pat Robinson, the Clerk, the Chief Officers and members of the Committee for their assistance during his time as Chair of the Audit Committee.

Davie Campbell thanked the Chair and also Councillor John Richards, both of whom had indicated they would not be standing for re-election, for their contribution to the IJB Audit Committee, and wished them well.

It was agreed that the next meeting be held on Wednesday, 22 June 2022.

## **11. Conclusion of Meeting**

There being no further business, the Chair declared the meeting concluded at 10:24.