



Caroline Sinclair
Chief Officer
Orkney Health and Care
01856873535 extension: 2601
OHACfeedback@orkney.gov.uk

Agenda Item 3.

Integration Joint Board – Audit Committee

Wednesday, 27 September 2017, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Minute

Present:

- Rognvald Johnson, NHS Orkney.
- Councillor John T Richards, Orkney Islands Council.
- Councillor Stephen Sankey, Orkney Islands Council.
- Scott Hunter, Chief Social Work Officer, Orkney Islands Council.

Clerk:

- Sandra Craigie, Committees Officer, Orkney Islands Council.

In Attendance:

- Pat Robinson, Chief Finance Officer, Orkney Health and Care.
- Caroline Sinclair, Chief Officer, Orkney Health and Care (for Items 5 to 11).
- Olwen Sinclair, Chief Internal Auditor, Orkney Islands Council.
- Karen Bevilacqua, Solicitor, Orkney Islands Council.

Audit Scotland:

- Gillian Woolman, Assistant Director.
- Patricia Fraser, Audit Manager.

Observing:

- Councillor Rachael A King.
- Gareth Waterson, Head of Finance, Orkney Islands Council.

Chair:

- Councillor Stephen Sankey, Orkney Islands Council.

1. Apologies

Apologies for absence were intimated on behalf of:

- David Drever, NHS Orkney.
- Frances Troup, Head of Housing, Homelessness and Schoolcare Accommodation Services, Orkney Islands Council.

2. Declarations of Interest

No declarations of interest were 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 5 September 2017. The Minute was **approved** as a true record, on the motion of Councillor Stephen Sankey, seconded by Rognvald Johnson.

4. Matters Arising

Councillor Stephen Sankey referred to Item 8 Clinical Governance – Delayed Discharge. Following the meeting of the Integration Joint Board held earlier that day where this matter had been discussed at length, he confirmed that statistics on delayed discharges would be made available.

5. External Audit Report to those charged with Governance on 2016 to 2017 Audit

There had previously been circulated the External Auditor's Annual Report to those charged with governance on the Integration Joint Board Annual Accounts for 2016 to 2017.

Gillian Woolman, Assistant Director, Audit Scotland, highlighted that both the covering letter and the Letter of Representation to Audit Scotland, attached as Annexes 1 and 2 respectively to the report circulated, were addressed to the Integration Joint Board. However it was noted that, in terms of the Integration Joint Board's Scheme of Administration, the Audit Committee had delegated responsibility for approving the accounts.

She continued that this was the first full year of operation of the Integration Joint Board. From the accounts, the Integration Joint Board oversaw commissioning and satisfactory delivery of services, amounting to £34,500,000, working with the two host bodies, NHS Orkney and Orkney Islands Council.

She highlighted the following key matters:

- Paragraph 1 of the covering letter confirmed that all audit work had been undertaken in accordance with international standards on auditing.
- Paragraph 2 confirmed that the audit of the Orkney Integration Joint Board was substantially complete.

- Paragraph 3 confirmed that Audit Scotland was presenting the Audit and seeking confirmation from those charged with governance of any instance of any actual, suspected or alleged fraud and any subsequent events or any material non-compliance should be brought to the attention of the External Auditors.
- Paragraph 4 confirmed that there were no unadjusted misstatements to bring to the Audit Committee's attention.

Moving on to Appendix A, which was the actual wording of the proposed Audit Certificate on the accounts, Audit Scotland's opinion was unqualified and Gillian Woolman stated that the accompanying financial statements gave a true and fair view. She confirmed that Audit Scotland had no matters to report by exception which were required by the Accounts Commission and stressed that this was not always the case.

Referring to Part 1 of the Annual Audit Report, the following matters were highlighted:

- Audit Scotland's audit opinions were all unqualified.
- The working papers provided were of a good standard and the Chief Finance Officer provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.
- There were no material adjustments to the unaudited financial statements arising from Audit Scotland's audit.
- The audit did identify a number of presentational and disclosure issues which were subsequently adjusted and reflected in the audited financial statement.

Referring to Part 2, financial management, the following matters were highlighted:

- Although the final budget position of the Integration Joint Board was a break even position, both Orkney Islands Council and NHS Orkney were required to provide additional resources to achieve that position.
- An overspend incurred at the year end by NHS Orkney will be carried forward to financial year 2017 to 2018, resulting in the Integration Joint Board receiving less funding from NHS Orkney in that financial year than budgeted.
- The Integration Joint Board would need to work with partners to identify and agree savings required in financial year 2017 to 2018 in order to break even.

Referring to Part 3, financial sustainability, as there would be funding challenges going forward, it was recommended that the Integration Joint Board should develop medium to long term financial plans to assist in addressing upcoming and future budget challenges.

Referring to Part 4, governance and transparency, Audit Scotland concluded that the Integration Joint Board conducted its business in an open and transparent manner.

Finally, referring to the two recommendations for improvements and agreed action plans in place, these would be followed up in the audit for 2017 to 2018.

Councillor Stephen Sankey formally thanked Audit Scotland and the Chief Finance Officer for all their hard work.

Rognvald Johnson also reiterated his thanks to everyone involved and stated that this being the first year of a new process for Audit Scotland, the Internal Auditor and the Chief Finance Officer all deserved thanks for their hard work and noted that it was encouraging to have an unqualified audit report after Year One.

Councillor John T Richards also wished his formal thanks to all parties to be recorded and felt it was reassuring that the audit process had been carried out in a proper, professional and efficient manner. Regarding the overspend, he expressed concern that it was not good practice to start the financial year in an indebted position but was hopeful that this would be addressed through the recovery plan.

Councillor Stephen Sankey thanked the Audit Committee for their comments of support. He also noted that, as advised within the Audit, robust financial plans required to be in place for future years stressing that there were challenging times ahead.

The Audit Committee thereafter noted:

5.1. That Audit Scotland, as the Integration Joint Board external auditors, had concluded their audit of the Integration Joint Board Financial Statements for the year ended 31 March 2017.

5.2. That Audit Scotland had provided an unqualified certificate on the Integration Joint Board Financial Statements for the year ended 31 March 2017.

5.3. That the draft audit certificate stated that the accounts had been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

5.4. Audit Scotland's covering letter in respect of the Integration Joint Board Financial Statements, attached as Annex 1 to the report circulated.

5.5. The Integration Joint Board's Letter of Representation to Audit Scotland in connection with their audit of the financial statements of the Integration Joint Board Financial Statements for the year ended 31 March 2017, attached as Annex 2 to the report circulated.

5.6. The Annual Audit Report 2016 to 2017, prepared for the Orkney Integration Joint Board and the Accounts Commission, attached as Annex 3 to the report circulated.

6. Annual Accounts for Year Ended 31 March 2017

There had been previously circulated a report presenting the Integration Joint Board's final Annual Accounts for the year ended 31 March 2017.

Pat Robinson, Chief Finance Officer, advised that the final draft Annual Accounts were very similar to those discussed at length at the previous meeting of the Audit Committee held on 5 September 2017. As highlighted by Gillian Woolman in her presentation on the Audit report, there were presentational issues. Pat Robinson advised that, although reference to the overspend incurred by NHS Orkney was referenced in the text on page 5 of the Annual Accounts, it was not detailed in the table indicating Spend versus Budget.

Councillor Stephen Sankey stated that the overspend, amounting to £180,000, was clearly identifiable in the Annual Audit Report, both as a separate figure and separate table and queried if it should, therefore, be referred to in the table at the top of page 5 of the Annual Accounts, rather than in a footnote. He indicated that members of the Integration Joint Board had expressed concern that, if the figure was not in the table, then the audit trail would be lost.

Gillian Woolman confirmed that Audit Scotland was satisfied with how the figures had been laid out and indicated that, had they been included in the table, there may have been a risk of misinterpretation that there was a deficit of £180,000.

On the motion of Councillor Stephen Sankey, seconded by Councillor John T Richards, the Audit Committee **approved** the annual accounts for the year ended 31 March 2017, including the governance statement, attached as Appendix 1 to the report circulated.

7. Internal Audit Charter 2017 to 2019

There had been previously circulated a report presenting the Internal Audit Charter for 2017 to 2019.

Olwen Sinclair, Chief Internal Auditor, advised that the Internal Audit Charter covered the period of the current appointment from March 2017 to March 2019. It formally defined the purpose, authority and responsibility of Internal Audit activity, as well as providing details of the relationship between Internal Audit, the Audit Committee and External Audit. It also included the requirement for Internal Audit to have an assurance and improvement programme in place. She confirmed that the Charter conformed to Public Sector Internal Audit Standards.

Councillor Stephen Sankey advised members that he had sought reassurance from Olwen Sinclair that the Internal Audit Charter proposed for the Integration Joint Board and the one used by Orkney Islands Council were very similar.

On the motion of Councillor Stephen Sankey, seconded by Councillor John T Richards, the Audit Committee **approved** the Internal Audit Charter for 2017 to 2019, attached to the report circulated.

8. Internal Audit Strategy and Plan

There had been previously circulated a report presenting the Internal Audit Strategy and Plan for 2017 to 2018.

Olwen Sinclair, Chief Internal Auditor, advised that the Internal Audit Strategy and Plan for 2017 to 2018 had been prepared in accordance with the Public Sector Internal Audit Standards and following a comprehensive planning process which involved risk assessing the areas of operation and responsibilities of the Integration Joint Board. The Audit Plan had been discussed with NHS Orkney's Internal Auditors, Scott Moncrieff, and the external auditors, Audit Scotland. The Audit Plan included two audits which were identified through the planning process as the highest priority. The audit work would be shared, with Scott Moncrieff undertaking one of the audits, and the other being carried out by the Council's Internal Audit section. Both audits were due to be completed by the end of March 2018. The audit findings would then be fed into the Internal Audit Annual Report and Assurance Statement and the Annual Governance Statement.

The Strategy which accompanied the Audit Plan was a high level statement of how the audit service would be delivered.

The Audit Committee thereafter noted:

8.1. That a comprehensive audit planning process had been undertaken by the Chief Internal Auditor for the year 2017 to 2018.

On the motion of Councillor Stephen Sankey, seconded by Rognvald Johnson, the Audit Committee **approved**:

8.2. The Internal Audit Strategy and Plan for 2017 to 2018, attached to the report circulated.

9. Internal Audit Report – Staffplan

There had previously been circulated, for information, a report presenting Orkney Islands Council's Internal Audit report relating to a system review of Staffplan.

Olwen Sinclair, Chief Internal Auditor, highlighted the main findings of the review, including areas of good practice. The audit provided substantial assurance that Staffplan was generally a sound system but some areas of weakness had been identified. Consequently six recommendations had been made to address those weaknesses.

Councillor Stephen Sankey noted that some of the recommendations would result in budgetary implications and, while the sum was not particularly large, this should be closely monitored.

Rognvald Johnson referred to the target dates of June 2017 in the Action Plan and queried whether these had been implemented. Olwen Sinclair confirmed the performance monitoring process within Orkney Islands Council, whereby officers were requested to provide progress updates on internal audit action plans twice per annum, namely for period ending 31 March and the period ending 30 September. Accordingly, the earliest she would be in a position to report whether the target dates had been met would be November and was therefore unable to answer his question at this time.

The Audit Committee thereafter noted:

9.1. That Staffplan was a software system used to manage the Home Care Service roster and visits by carers for Home Care clients.

9.2. That the Internal Audit report, attached as Appendix 1 of the report by the Chief Internal Officer, was scrutinised by the Council's Monitoring and Audit Committee on 8 June 2017.

9.3. The findings of the Internal Audit Report – Staffplan System Review, attached to Appendix 1 of the report by the Chief Internal Officer.

10. Date of Next Meeting

It was noted that the next meeting was scheduled for Tuesday, 13 March 2018 at 14:00 in the Council Chamber, Council Offices, Kirkwall.

11. Conclusion of Meeting

There being no further business, the Chair declared the meeting concluded at 14:30.

Signed: S Sankey.