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Agenda Item: 5.

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

Thursday, 29 August 2019, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

### **Minute**

#### **Present**

- Davie Campbell, Non-Executive Director, NHS Orkney.
- Councillor John T Richards, Orkney Islands Council.
- Councillor Stephen Sankey, Orkney Islands Council.
- Frances Troup, Head of Housing, Homelessness and Schoolcare Accommodation Services, Orkney Islands Council.

#### **Clerk**

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

#### **In Attendance**

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

- John W Mundell, Interim Chief Executive (for Items 1 to 6).
- Andrew Paterson, Chief Internal Auditor.
- Peter Trodden, Solicitor.

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

- Sally Shaw, Chief Officer.
- Pat Robinson, Chief Finance Officer.

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

- Gillian Woolman, Audit Director (for Items 1 to 6).
- Patricia Fraser, Audit Manager.

##### **Scott-Moncrieff:**

- Matthew Swann, Senior Manager (by teleconference for Item 7).

## **Chair**

- Davie Campbell, NHS Orkney.

### **1. Apologies**

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

- Scott Hunter, Chief Social Work Officer, Orkney Islands Council.
- Issy Grieve, Non-Executive Director, NHS Orkney.

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

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

The Chair advised that, following conclusion of Item 6, the meeting would be adjourned to enable the Annual Accounts to be signed and for Matthew Swann, Senior Manager, Scott-Moncrieff, to join the meeting by teleconference to present Item 7, Internal Audit Annual Plan for 2019 to 2020, which the Chair had agreed could be considered as an urgent item.

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

There had been previously circulated the draft Minute of the Meeting of the Audit Committee held on 26 June 2019.

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

### **4. Matters Arising**

There were no matters arising from the previous meeting.

### **5. External Audit Report to those charged with Governance**

There had been previously circulated a report setting out the independent audit opinion on the Annual Report and Statement of Accounts for the Integration Joint Board for the year ended 31 March 2019, for the Committee to seek assurance.

Gillian Woolman reminded the Committee that Pat Robinson took them through the draft accounts on 26 June 2019. Since then, the external audit had been progressed and concluded. Audit Scotland's covering paper set out the standards to which the audit was conducted and confirmed that there were no unadjusted misstatements to be corrected. The External Auditors also ask for written representations from the Chief Finance Officer and the draft letter of representation was included as Appendix B to their report.

Appendix A was the important part of the External Auditor's report and set out the key messages and their opinion on the financial statements, which was that the financial statements gave a true and fair view of the state of affairs of the Integration Joint Board as at 31 March 2019. Appendix A also set out the responsibilities of the Chief Finance Officer and the External Auditor, other information in the annual

accounts and a report on other matters, including the External Auditor's opinion on matters prescribed by the Accounts Commission and matters on which the External Auditor was required to report by exception. Regarding the latter, there were nothing to report by exception. Appendix A would, thereafter, be inserted in the financial statements.

The draft letter of representation, attached as Appendix B, would be signed today, following approval of the Annual Accounts.

Moving on to Annex 3, the Annual Audit Report, Gillian Woolman referred to the key messages outlined on page 4, which she asked that all members of the Integration Joint Board be made aware of. The Introduction, on pages 5 and 6, linked to the External Audit Annual Plan and focussed on more than purely financial matters, with responsibilities and reporting reiterated.

Part 1 of the Annual Audit Report related directly to the audit of the accounts for financial year 2018 to 2019, with the main judgement being that the audit opinions covering the financial statements, the remuneration report, the management commentary and the annual governance statement, were all unqualified. Paragraph 15 again reiterated that there were no unadjusted misstatements. Paragraph 18 confirmed that, following a recommendation from the previous year, the Chief Finance Officer had shared ownership of the process, resulting in a much improved set of financial statements. Finally, Exhibit 3 referred to central support costs within social work, whereby it was concluded that it was inappropriate to include accrued pension costs for staff employed, given that the IJB had no responsibility for paying pension costs of Council employees. Accordingly, adjustments had been made to the accounts, however this did not affect the overall financial position of the IJB.

Part 2 of the Annual Audit Report related to financial management and sustainability. Reference was made to the role of the Chief Finance Officer and good financial management. The External Auditor highlighted that, by the end of the financial year, the post of Chief Finance Officer had been made permanent. With reference to systems of internal control, it was noted that, although Audit Scotland was also external auditor for both NHS Orkney and Orkney Islands Council, due process should be followed and letters were issued accordingly. Paragraph 35 made reference to the set aside budget, and Gillian Woolman advised that, although still in transition, this matter should be addressed in the following financial year and confirmed that Orkney was not alone in this respect, with several other integration authorities in the same position. Paragraphs 36 to 38 referred to financial planning, with a recommendation that realistic and sustainable financial plans should be agreed prior to the start of each financial year. Again, Orkney was not alone in this regard. One recommendation from the previous year's Annual Audit Report remained outstanding, namely the review of the Integration Scheme, particularly in relation to deducting subsequent years' financial allocations by the current year's additional funding. The final part of this section related to EU withdrawal and was a standard section in all Annual Audit Reports.

Part 3 of the Annual Audit Report related to governance, transparency and value for money. The IJB had adequate governance arrangements in place and demonstrated a commitment to transparency in the way it conducted its meetings, in that they were open to the public and audio cast, with papers available on the Council's website. With regard to the General Data Protection Regulation (GDPR), the Annual Audit

Report recommended that the IJB should consider the impact of GDPR on its operations to ensure processes complied with the Regulations. Moving to Best Value, this would have an increased focus going forward, now that a Chief Officer was in post, following a period where no Chief Officer was in post, together with vacancies at senior management level.

The Annual Audit Report contained three Appendices, as follows:

- Appendix 1 – Action Plan – listing the recommendations arising from the audit and responses from management, which would be followed up in due course to assess progress.
- Appendix 2 – Audit Plan – listing the significant risks identified during planning for the audit, the assurance process and the result and conclusion.
- Appendix 3 – Summary of national audit reports with specific reference or interest to integration authorities.

Davie Campbell thank Gillian Woolman for the comprehensive presentation and advised that the Annual Audit Report was easy to read and contained no surprises, with the recommendations all relating to issues which the Committee was well aware of. It was also comforting to learn that Orkney was not alone from a national perspective.

Councillor Steve Sankey reiterated Davie Campbell's comments and congratulated Pat Robinson and her team on the set of unqualified accounts. However, the main judgements, recommendations and risks remained the same as in previous years and he urged both members and senior staff, including both partners' Chief Executives, to look at financial planning. He also asked External Audit to remain patient while these matters were tackled and worked through.

Sally Shaw confirmed that a meeting of representatives from both partners, including the Chief Executives, had been arranged for the following week, with a view to looking at baseline budgets and financial planning. Officers had also met to review the proposals arising from the Ministerial Strategic Group's review of integration, with an action plan now being developed, which would also drive forward financial planning.

Councillor John Richards thanked External Audit for an Annual Audit Report which provided assurance to the IJB and also extended his thanks to Pat Robinson.

Frances Troup reiterated all previous comments and confirmed that Gillian Woolman's comprehensive presentation had addressed all the points she had wished to raise.

The Audit Committed thereafter noted:

**5.1.** That Audit Scotland, as the Integration Joint Board's external auditor, had concluded its audit of the Financial Statements for the year ended 31 March 2019.

**5.2.** That Audit Scotland had provided an unqualified certificate on the Integration Joint Board's Financial Statements for the year ended 31 March 2019.

**5.3.** Audit Scotland's report to those charged with governance on the 2018 to 2019 audit of the Integration Joint Board's Financial Statements.

**5.4.** The Integration Joint Board's Letter of Representation to Audit Scotland in connection with its audit of the financial statements of the Integration Joint Board for the year ended 31 March 2019.

**5.5.** The Annual Audit Report to Members and the Controller of Audit in respect of the Integration Joint Board's Financial Statements.

## **6. Annual Accounts**

There had been previously circulated a report presenting the Integration Joint Board's final Annual Accounts for the year ended 31 March 2019, for scrutiny and approval.

Pat Robinson thanked External Audit for their assistance and patience in producing the final Annual Accounts and confirmed that presentational changes suggested at the meeting on 26 June 2019, when the draft accounts were considered, had been addressed within the final version. She highlighted the Reserves, referenced on page 15 of the final Annual Accounts, relating to the Primary Care Improvement Fund and the Alcohol and Drugs Partnership, and confirmed that these reserves were ring-fenced and could not be used for any other purpose.

Councillor Steve Sankey referred to the small discrepancies in the budget figures quoted in the Annual Accounts in relation to those quoted in Exhibit 4 of the Annual Audit Report (which were due to rounding to two rather than three decimal points) and asked that, in future, they should be the same.

Frances Troup referred to the additional funding of £26,000 received in respect of free personal care and queried what the likely cost of implementing "Frank's law" would be. Pat Robinson confirmed that the figure of £26,000 related to costs to date which required to be included in a return to the Scottish Government. There was still work to be done to calculate the actual costs associated with free personal care and she undertook to keep the IJB informed.

The Audit Committee thereafter approved the audited governance statement and Annual Accounts for the year ended 31 March 2019, as circulated.

The Chair then adjourned the meeting to enable the final accounts to be signed. Matthew Swann joined the meeting via teleconference at this point.

## **7. Internal Audit Plan**

In terms of Standing Order 11.4, the Chair had permitted urgent consideration of this item, in order that, if approved, the Internal Audit Plan 2019 to 2020 could be implemented.

There had been previously circulated the draft Internal Audit Plan for 2019 to 2020 for review and approval.

Matthew Swann confirmed that a range of contributing factors had been used in order to identify relevant items for the audit, resulting in the two audits included within Appendix 1 to the Internal Audit Plan. He also brought members' attention to Appendix 3, the Internal Audit Charter.

Returning to the two proposed audits, each Internal Audit team would undertake one of the audits. A1, Budgeting, would review arrangements for setting and monitoring the budgets, including variance analysis and financial reporting. The Annual Audit Report produced by Audit Scotland made several references to budget setting, hence the proposal to undertake this review. A2, Implementation of IJB Strategy, would review the strategic planning process in light of changes to the IJB Strategy. As consultation on the revised Strategic Plan was nearing completion, together with a change in personnel, it was considered appropriate to undertake this review. Further, it was important to get the timing of both audits correct.

With regard to the revised Strategic Plan, Sally Shaw confirmed that consultation had ended on 9 August 2019. A representative group from both NHS Orkney and Orkney Islands Council had subsequently met to review all the comments received. The final draft Strategic Plan was due to be submitted to the Integration Joint Board on 2 October 2019 for consideration and approval.

With regard to financial planning, Sally Shaw confirmed that she had raised the matter of two separate budgeting processes with both Chief Executives which, in her opinion, could not carry on. Further the role and responsibilities of the Integration Joint Board should be reviewed as there still remained confusion. Finally, the Integration Scheme also required review. Meetings on all three matters were currently scheduled over the next period.

Councillor Steve Sankey suggested that more emphasis should be placed on budgeting and referred to Risks 4 and 5 in the Risk Register (Appendix 2 to the draft Internal Audit Plan). He also suggested there should be better linkage with the findings of External Audit. Matthew Swann was conscious that he may not be picking up Councillor Sankey's request correctly, however internal and external audits should not replicate each other – the proposal was that Internal Audit would review processes arising from recommendations of the Annual Audit Report.

In response to queries regarding timescales and the number of days allocated to internal audit, Matthew Swann advised that, as with any internal audit plan, there was an element of flexibility and, should there be any changes and/or additional work commissioned, this would be agreed with management and, if capacity and resources allowed, incorporated into the annual plan.

Councillor Steve Sankey asked whether Scott-Moncrieff undertook audits of integration authorities elsewhere. Matthew Swann confirmed that Scott-Moncrieff did have other integration authorities as clients, as well as health boards and local authorities, so was aware of the role of integration boards. He was not aware whether similar reviews were being carried out elsewhere, as all audit plans were risk based and tailored to the individual authorities. However, from recent comments, he assured the Committee that the challenges being faced in Orkney were not uncommon, as he saw similar issues across his portfolio of clients. The biggest challenge to integration authorities was no coterminous boundaries, which was not the case in Orkney, however, being a remote and island board came with its own particular challenges.

The Audit Committee noted:

**7.1.** That a comprehensive audit planning process had been undertaken by the Chief Internal Auditor for the year 2019 to 2020.

The Committee thereafter **resolved**:

**7.2.** That the Internal Audit Plan for 2019 to 2020 be approved.

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

It was agreed that the next meeting be held on Tuesday, 19 November 2019, at 11:30, in the Council Chamber, Council Offices, Kirkwall.

Davie Campbell confirmed that meetings scheduled for 2020 would also commence at 11:30, rather than 14:00, to enable Scott-Moncrieff to attend, in person, if required.

### **9. Conclusion of Meeting**

There being no further business, the Chair declared the meeting concluded at 14:55.