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Agenda Item: 24.

## **Integration Joint Board**

Date of Meeting: 3 October 2018

Subject: Integration Joint Board – Audit Committee.

### **1. Summary**

1.1. This report highlights the key agenda items that were discussed at the Audit Committee meetings on 30 August 2018 and 26 September 2018.

### **2. Purpose**

2.1. To update Members on the current business of the Audit Committee.

2.2. To provide assurances to the Board that relevant issues are being discussed.

### **3. Recommendations**

The Integration Joint Board is invited to:

3.1. Note the content of the report and the verbal update.

### **4. Key Agenda Items**

4.1. The key agenda items discussed at the Audit Committee meeting on 30 August 2018 are as follows:

- Internal Audit Annual Report and Assurance Statement.
- Draft Annual Accounts.

4.1.1. Further details of the key items are contained in the unapproved Minute, attached as Appendix 1 to this report.

4.2. Key agenda items discussed at the Audit Committee meeting on 26 September 2018 are as follows:

- External Audit report to those charged with Governance.
- Annual Accounts.

4.2.1. The External Auditors have provided an unqualified audit certificate and the revised Annual Accounts were approved for signature. The unapproved Minute will be submitted to the next meeting of the Integration Joint Board, for information.

## 5. Contribution to quality

Please indicate which of the Council Plan 2018 to 2023 and 2020 vision/quality ambitions are supported in this report adding Yes or No to the relevant area(s):

<b>Promoting survival:</b> To support our communities.	No.
<b>Promoting sustainability:</b> To make sure economic, environmental and social factors are balanced.	No.
<b>Promoting equality:</b> To encourage services to provide equal opportunities for everyone.	No.
<b>Working together:</b> To overcome issues more effectively through partnership working.	Yes.
<b>Working with communities:</b> To involve community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Working to provide better services:</b> To improve the planning and delivery of services.	Yes.
<b>Safe:</b> Avoiding injuries to patients from healthcare that is intended to help them.	No.
<b>Effective:</b> Providing services based on scientific knowledge.	No.
<b>Efficient:</b> Avoiding waste, including waste of equipment, supplies, ideas, and energy.	Yes.

## 6. Resource implications and identified source of funding

6.1. There are no financial implications directly arising from this report.

## 7. Risk and Equality assessment

7.1. There are no risks directly arising from this report.

## 8. Direction Required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

## **9. Authors**

9.1. Pat Robinson (Chief Finance Officer), Integration Joint Board.

9.2. Councillor Steve Sankey (Chair), Integration Joint Board Audit Committee.

## **10. Contact details**

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## **11. Supporting documents**

11.1. Appendix 1: Audit Committee – Unapproved Minutes – 30 August 2018.



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

Thursday, 30 August 2018, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

### **Minute**

#### **Present**

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

- Gavin Mitchell, Head of Legal Services, Orkney Islands Council.
- Olwen Sinclair, Chief Internal Auditor, Orkney Islands Council.
- Pat Robinson, Chief Finance Officer, Orkney Health and Care.

#### **Audit Scotland:**

- Patricia Fraser, Audit Manager.
- Neil Reid, Senior Auditor.

#### **Observing**

- Gareth Waterson, Head of Finance, Orkney Islands Council.

#### **Chair**

- Councillor Stephen Sankey, Orkney Islands Council.

## **1. Apologies**

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

- Hazel Robertson, Director of Finance, 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.

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

There had been previously circulated the draft Minute of the Meeting of the Audit Committee held on 13 March 2018.

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

## **4. Matters Arising**

### **4.1. Long Term Financial Planning**

Councillor Stephen Sankey enquired whether External Audit had shared examples of long term financial plans from other integration authorities. Patricia Fraser advised that the examples of long term financial plans were from local authorities not integration authorities. Pat Robinson advised that she now had some examples of long term financial plans by integration authorities.

### **4.2. Audit Planning**

Councillor Stephen Sankey referred to the proposal that all three audit committees could liaise to consider their various audit plans to ensure effective use of internal and external audit teams and advised that, in the first instance, he would liaise with the Council's Chief Internal Auditor with a view to progressing this shortly.

## **5. Internal Audit Annual Report and Assurance Statement**

There had been previously circulated a report setting out the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Integration Joint Board's internal control framework for financial year 2017 to 2018.

The Chief Internal Auditor reminded the Committee that she had been appointed as Chief Internal Auditor for the Integration Joint Board for the two financial years 2017/18 and 2018/19 and confirmed that audit work was undertaken in partnership with NHS Orkney's internal audit service, currently provided by Scott-Moncrieff, to allow the Chief Internal Auditor to provide an annual internal audit opinion.

With regard to audits relating directly to the work of the Integration Joint Board, the Council's internal audit team had undertaken a governance audit, issued in June 2017, which reviewed progress made on the 11 recommendations from an earlier audit. The audit confirmed that good progress had been made, with one recommendation remaining outstanding, namely production of a financial recovery plan. An audit covering financial planning was also substantially complete, with the draft audit report issued and the final audit report due to be considered by the Audit

Committee on 26 September 2018. Scott-Moncrieff planned to undertake an internal audit of compliance with the Integration Scheme; however this was deferred due to the departure of the Chief Officer. The brief had subsequently been agreed and the audit was due to be carried out in the latter half of 2018.

With regard to partner body audits of relevance to the Integration Joint Board, Scott-Moncrieff had issued an audit in November 2017 on partnership working, which would be submitted to the next meeting of this Audit Committee. Orkney Islands Council had undertaken audits of Staffplan (a software system used to manage Home Care Service rosters and visits by carers for Home Care clients) and administrative, financial and security procedures in place at the Children's House, Rendall Road, Kirkwall. The Staffplan audit was presented to this Audit Committee on 27 September 2017, with the Rendall Road audit due to be presented to this Committee on 26 September 2018. Both audits identified areas of good practice, together with some recommendations, but neither impacted on the overall opinion of the Chief Internal Auditor.

In summary, the internal audit work completed during the year had confirmed that there were adequate and effective controls operating, subject to the one exclusion, namely that further work was required in order to have in place appropriate recovery plans where it was forecast that there was likely to be an overspend on budget.

Frances Troup referred to the internal and external assessment of the internal audit function, noting that the last self-assessment was undertaken in 2015. The Chief Internal Auditor confirmed that the assessment process worked in cycles, with self-assessment due to be undertaken shortly, prior to external assessment, and consisted of going through all points in the checklist to identify any points which required improvement actions.

Councillor Stephen Sankey advised that he was encouraged the internal audit highlighted that work was required on financial recovery plans and that this would be revisited at the next meeting.

The Audit Committee noted the Internal Audit Annual Report and Assurance Statement for 2017 to 2018, attached to the report circulated.

## **6. Draft Annual Accounts**

There had been previously circulated the draft Annual Accounts for the year ended 31 March 2018.

The Chief Finance Officer advised that the purpose of the annual accounts was to demonstrate proper stewardship of the financial affairs of the Integration Joint Board. A set of accounts must be lodged with the External Auditors by 30 June and this requirement was met. Following discussions with the External Auditors, it had been agreed that the draft accounts required redrafting in order to flow better, so that outcomes could be more visible and more focus given to a financial recovery plan.

Regarding the draft accounts which had been circulated, the Chief Finance Officer then gave a brief summary of the various sections.

Most of the information within the Management Commentary was taken from information provided in reports submitted to the Integration Joint Board, therefore, if new members of the Audit Committee wished further explanation, they should contact the Chief Finance Officer in the first instance.

The financial position as at 31 March 2018, set out on Page 10, indicated an outturn deficit of £478,000 for NHS Orkney, mainly due to staffing issues and community prescribing, and a shortfall of £184,000 for Orkney Islands Council in respect of children's residential placements outwith Orkney. Although the financial position as at 31 March 2018 indicated a budget deficit, additional funding had been received from both NHS Orkney and Orkney Islands Council. Further, neither partner had indicated they would hold back funding in the subsequent financial year, although savings targets would be applied.

With regard to the redrafting of the draft accounts, Councillor John Richards queried whether it was merely style, rather than content. Patricia Fraser advised that, at this stage, it was too early to confirm, but generally the layout required to be revised.

Councillor John Richards referred to recent media coverage suggesting that 40% of young females were self-harming. Further, on page 7 of the draft accounts, Orkney's referral rates for Child and Adolescent Mental Health services had dropped significantly from the previous year, although he accepted the reasons for this, mostly recruitment related, which was not just a local issue.

Frances Troup referred to the delayed discharge protocol on page 4 of the draft accounts and the involvement of housing services, together with reference to the rapid mobile responder service on page 5, in which she understood there were two teams. The Chief Finance Officer advised that the information had been drafted from reports submitted to the Board and would clarify with the relevant Head of Service.

Councillor Stephen Sankey returned to the matter of the budget deficits and suggested that this information required to jump out more readily to the reader. The ageing population was placing demands on the partners, and finance was not keeping pace with that demand. With regard to the redrafted accounts, he suggested that, if members had any further matters, to raise these directly with the Chief Finance Officer, to enable the final draft accounts to be considered by the Committee on 26 September. Neil Reid advised that the redrafted accounts would be considered by the Board, at a special meeting to be convened on 13 September 2018.

The Audit Committee noted:

**6.1.** That integration joint boards were specified in legislation as section 106 bodies in terms of the Local Government (Scotland) Act 1973 and consequently 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 1 to 13 of the draft annual accounts, which provided an overview of the most significant matters reported in the annual accounts for financial year ended 31 March 2018.

The Audit Committee reviewed:

**6.3.** The Annual Governance Statement, comprising pages 19 to 26 of the draft Annual Accounts for financial year 2017 to 2018, together with the overall draft accounts, noting that the redrafted accounts would be considered by the Board on 13 September 2018, with the final accounts thereafter submitted to the Audit Committee on 26 September 2018 for approval and sign off.

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

The Audit Committee noted that the next meeting would be held on Wednesday, 26 September 2018 at 14:00 in the Council Chamber, Council Offices, Kirkwall.

## **8. Conclusion of Meeting**

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