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Integration Joint Board – Audit Committee

Wednesday, 26 September 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

- Katharine McKerrell, Solicitor, Orkney Islands Council.
- Gerry O'Brien, Interim Chief Executive,
- Hazel Robertson, Director of Finance, NHS Orkney.
- Pat Robinson, Chief Finance Officer, Orkney Health and Care.
- Sally Shaw, Chief Officer, Orkney Health and Care.
- Olwen Sinclair, Chief Internal Auditor, Orkney Islands Council.

Audit Scotland:

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

Chair

- Councillor Stephen Sankey, Orkney Islands Council.

1. Apologies

There were no apologies for absence.

For the benefit of new members, the Chair got everyone present to introduce themselves.

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 members of the proposal that, as Item 11, an internal audit report relating to administrative, financial and security procedures at the Children's House, Rendall Road, Kirkwall, contained exempt information, the Committee was required to determine whether or not the public should be asked to leave the meeting during consideration of that item.

3. Minutes of Previous Meeting

There had been previously circulated the draft Minute of the Meeting of the Audit Committee held on 30 August 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

There were no matters arising from the previous minute.

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 2018, for consideration, scrutiny and approval.

Gillian Woolman referred to her covering letter to the Integration Joint Board, dated 26 September 2018, which advised that the external audit was substantially complete, with no unadjusted misstatements to be corrected. The letter also sought confirmation from those charged with governance of any instances of actual, suspected or alleged fraud which, normally, would be identified through the external auditors' work with officers. Finally, the letter requested the signed letter of representation from the Chief Finance Officer, with the signed annual accounts, prior to the independent auditor's report being certified.

Appendix A to Gillian Woolman's covering letter was the proposed independent auditor's report which followed a slightly different format than previously. It set out the respective responsibilities of those involved in the audit and gave a positive assurance on the narrative within the accounts. The final section related to matters on which the external auditor was required to report on by exception – there were no such matters.

Appendix B to Gillian Woolman's covering letter was the draft letter of representation from the Chief Finance Officer which would be signed after the accounts were approved.

Gillian Woolman, supported by Patricia Fraser, then gave a short summary of the main points arising from the Annual Audit Report, attached as Annex 3 to the report circulated, as follows:

- Page 2 – Who we are.
- Page 4 – Key Messages – these should be shared with all members of the Integration Joint Board and the two host parties.
- Page 5 – link to the original audit plan which was wider than just the financial statements.
- Part 1 (commencing on page 7):
 - The main judgement was that the audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.
 - Paragraphs 16 to 18 – the unaudited accounts were received in line with the agreed audit timetable, financial information was provided in a timely manner from the partner bodies and the working papers provided were of a good standard.
 - Paragraph 24 – The management commentary and annual governance statement in the initial draft annual accounts did not fully comply with the accounting code. Following close working with the audit team and the Chief Finance Officer, the documents were revised in order to “tell the story” of the main activities and achievements of the Integration Joint Board in 2017/18 more clearly.
 - The absence of a Chief Officer in post during the main period of the audit was noted.
- Part 2 (commencing on page 10):
 - Main judgements were the overall spending limits of the Integration Joint Board (£49.628 million); the budget for 2018/19 not yet formally approved; a review and updating of the Integration Scheme and development of medium to long term financial planning.
 - In giving positive assurance, there was a good level of reporting resulting in the Integration Joint Board being aware of what was happening throughout the year and how the breakeven position was achieved at the year end.
 - Paragraph 42 – the real challenge was the funding gap and the savings required. The existing Integration Scheme was implicit in that any additional funding provided by either of the funding partners should be deducted from the subsequent financial year, resulting in a compounding of any funding gap. It was therefore recommended that the Integration Scheme be reviewed and updated.
 - Paragraph 43 – consideration should be given to medium and long term financial planning, particularly as both host partners were also progressing with their longer term financial planning.
 - Paragraphs 46 and 47 – all auditors had been requested to pull together information relating to workforce planning in light of the significant uncertainty remaining in relation to the detailed implications of EU withdrawal (Brexit).

- Part 3 (commencing on page 14):
 - Positive assurance was given in respect of the understanding on respective roles within the Integration Joint Board, with induction and training supplementing this.
 - The report concluded that Integration Joint Board conducted its business in an open and transparent manner.
 - Reliance was placed on work undertaken by the Internal Audit service, presently provided by Orkney Islands Council, mostly in relation to work other than the main financial statements.
 - Further work was required to consider the impact of the General Data Protection Regulation on the Integration Joint Board's operation to ensure that its processes for processing personal data complied with the requirements of the new legislation.
 - Performance was reported to the Integration Joint Board in June 2018, where good progress was noted and overall, the standard of reporting was good.
- Appendix 1 – set out the action plan, listing the issue/risk, the external auditor's recommendation and the agreed management action, together with timescale. Overall, there were five recommendations, with two follow up recommendations from the previous year's annual audit.
- Appendix 2 – set out the significant audit risks identified during planning of the audit and how those were mitigated.
- Appendix 4 – listed the national performance reports, with two of relevance to the Integration Joint Board:
 - Self-directed Support: 2017 progress report – reported in August 2018.
 - NHS in Scotland 2017 – to be reported in October 2018.

Councillor Stephen Sankey thanked Pat Robinson for all her work during the audit process. Councillor John Richards continued by stating that the audit report did not avoid any of the thorny issues and did not raise any matters which the Integration Joint Board were not currently aware of. Consequently, this provided assurance. Issy Grieve, as a new member, supported Councillor Richards' view and had found the audit report very helpful in giving a clear indication as to where the Integration Joint Board was at and where it was heading.

Davie Campbell had one concern, namely in relation to the annual budget for 2018/19 which, at month 7, was still not approved. Councillor Stephen Sankey confirmed that this matter would be returned to in due course.

Regarding the key messages on page 4 of the annual audit report, Councillor Stephen Sankey referred to two key messages which were recurring, namely:

“4. The Orkney IJB should review and update their Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit) as this will compound any funding gap because at present it is challenging to achieve in-year balanced budgets without further reductions due to previous year overspends.

“5. The Orkney IJB needs to develop its medium to long-term financial planning to assist in addressing upcoming and future budget challenges.”

As Chair of the Audit Committee, he undertook to write to the Chair of the Integration Joint Board, copying to the Chief Officer and the two Chief Executives, on these matters.

The Committee thereafter noted:

5.1. That Audit Scotland, as the Integration Joint Board’s external auditor, had concluded its audit of the Integration Joint Board’s Financial Statements for the year ended 31 March 2018.

5.2. That Audit Scotland had provided an unqualified certificate on the Integration Joint Board’s Financial Statements for the year ended 31 March 2018.

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

5.4. Audit Scotland’s report to those charged with governance on the 2017 to 2018 audit of the Integration Joint Board’s Financial Statements, attached as Annex 1 to the report circulated, in accordance with the International Standard of Auditing 260.

5.5. 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 2018, attached as Annex 2 to the report circulated.

5.6. The Annual Audit Report to Members and the Controller of Audit in respect of the Integration Joint Board’s Financial Statements, attached as Annex 3 to the report circulated.

6. Annual Accounts

There had been previously circulated the Integration Joint Board’s final Annual Accounts for the year ended 31 March 2018 for consideration and approval.

Pat Robinson reminded the Committee that the draft accounts were considered by the Audit Committee on 30 August 2018, with a revised draft thereafter considered by the Integration Joint Board on 13 September 2018. She thanked Audit Scotland for all their support and guidance, and appreciated the new framework required which was now reflected in the final accounts presented for approval.

Councillor Stephen Sankey advised that he was pleased to see that the overspend position was now more prominent within the documents and confirmed that Gerry O’Brien, as Chief Executive of NHS Orkney, and in the absence of a Chief Officer for the period covered by the accounts, was in attendance to formally sign the accounts at the conclusion of the meeting, should they be approved.

The Committee thereafter **approved** the audited annual governance statement and statement of accounts for the year ended 31 March 2018, as circulated.

7. Financial Planning

There had been previously circulated a report presenting the findings of an internal audit relating to financial planning arrangements in place for the Integration Joint Board, for consideration and scrutiny.

Olwen Sinclair referred to the audit objectives which were to gain assurance that there were adequate arrangements in place for financial planning of the Integration Joint Board. The audit findings had resulted in three high priority recommendations, namely:

- Development of a medium term financial plan.
- Addressing the non-approval of the annual budget for 2018/19.
- The financial recovery plan detailing how forecast saving were going to be achieved within the financial year.

The audit had also identified one medium priority recommendation, with all recommendations to be addressed by March 2019.

Councillor Stephen Sankey confirmed that consideration of approving the annual budget for 2018/19 was included on the agenda for the meeting of the Integration Joint Board scheduled for 3 October 2018.

The Committee thereafter noted:

7.1. That an internal audit had been undertaken of the financial planning arrangements in place for the Integration Joint Board.

7.2. The findings contained in the internal audit report, attached as Appendix 1 to the report circulated, relating to the financial planning arrangements in place for the Integration Joint Board.

7.3. That an action plan to address the improvements identified and included within the internal audit report had been agreed with responsible officers, with the actions due to be implemented by March 2019.

8. Partnership Working

There had been previously circulated a report presenting the findings of an internal audit, undertaken on behalf of NHS Orkney, relating to partnership working arrangements with a number of NHS Orkney's partners, for information.

Hazel Robertson advised that the audit was undertaken as part of NHS Orkney's internal audit plan and, although not directly relating to the Integration Joint Board, there were some points of relevance contained within the internal audit report. The purpose of the audit was to look at partnership working in its widest sense. One area pertinent to the Integration Joint Board was section 2.2 relating to alignment with strategic objectives. This was a common thread throughout the audit, whereby NHS Orkney had been tasked to ensure outcome measures were more directly aligned with its strategic objectives.

Councillor Stephen Sankey suggested that many of the findings of the internal audit report were process related, however care should be taken not to “reinvent the wheel” as other partner agencies may have documentation which could be adapted for use.

The Committee thereafter noted:

8.1. That NHS Orkney’s Internal Audit service had undertaken an audit of partnership working arrangements with a number of NHS Orkney’s partners.

8.2. The findings of the internal audit report relating to partnership working arrangements with a number of NHS Orkney’s partners, which were scrutinised by NHS Orkney’s Audit Committee on 5 December 2017.

9. Date and Time of Next Meeting

It was agreed that the next meeting be held on Wednesday, 13 March 2019, at 14:00, in the Council Chamber, Council Offices, Kirkwall.

10. Disclosure of Exempt Information

The Committee agreed that the public be excluded from the remainder of the meeting as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

11. Children’s House, Rendall Road, Kirkwall

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 1 and 2 of Part 1 of Schedule 7A of the Act.

There had been previously circulated a report presenting the findings of an internal audit, undertaken on behalf of Orkney Islands Council, relating to administrative, financial and security procedures in place at the Children’s House, Rendall Road, Kirkwall, for information.

Olwen Sinclair advised that this was an establishment audit which highlighted several areas of good practice, although there were also areas for improvement. The audit made 10 recommendations, with two high priority actions. The audit report was issued in March 2018, with the actions due for follow up in September 2018, in accordance with the Council’s performance management systems.

Councillor Stephen Sankey understood that both the high priority actions had been addressed, which Scott Hunter confirmed.

Councillor John Richards referred to the lack of an auto dialler when the fire alarm was activated and wondered whether this should be a Council-wide action and whether buildings should be retro-fitted.

The Committee thereafter noted:

11.1. That Orkney Islands Council's Internal Audit had undertaken an audit of administrative, financial and security procedures in place at the Children's House, Rendall Road, Kirkwall.

11.2. The findings of the internal audit report relating to administrative, financial and security procedures in place at the Children's House, Rendall Road, Kirkwall, which were scrutinised by Orkney Islands Council's Monitoring and Audit Committee on 29 March 2018.

12. Conclusion of Meeting

There being no further business, the Chair declared the meeting concluded at 14:45.