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Orkney Integration Joint Board – Audit Committee

Tuesday, 13 March 2018, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Minute

Present

- Naomi Bremner, NHS Orkney.
- David Drever, NHS Orkney.
- Scott Hunter, Chief Social Work Officer, Orkney Islands Council.
- 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.
- Pat Robinson, Chief Finance Officer, Orkney Health and Care.
- Caroline Sinclair, Chief Officer, Orkney Health and Care.
- Olwen Sinclair, Chief Internal Auditor, Orkney Islands Council.

Audit Scotland:

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

Chair

- Councillor Stephen Sankey, Orkney Islands Council.

1. Apologies

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

- Rognvald Johnson, 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 27 September 2017.

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

4. Matters Arising

4.1. Delayed Discharge

Councillor Stephen Sankey confirmed that further information in relation to delayed discharges had been circulated, as requested at the previous meeting.

Caroline Sinclair advised that the recent performance figures were extremely pleasing, in that, from mid December 2017, there were no delayed discharges and subsequently no bed days lost, a situation which had been sustained throughout the winter period. Caroline Sinclair wished to extend congratulations for the excellent performance from all services concerned, particularly during what was considered the most challenging time of the year. There were now, however, a very small number of delayed discharges.

David Drever joined the meeting during discussion of this item.

5. External Audit Annual Audit Plan

There had been previously circulated a report setting out the planned scope and timing of External Audit's annual audit for the year ending 31 March 2018, for consideration.

Patricia Fraser highlighted the five key audit risks, three of which were in relation to the financial statements and two wider risks relating to governance. The third risk referred to the set aside budget and the external auditors would be looking to see that progress was being made in providing a budget figure, although it was recognised this was proving very difficult. The audit outputs were listed in Exhibit 2 on page 6 of the annual audit plan. It was noted that any significant matters arising throughout the year would be reported separately.

Patricia Fraser referred to the audit fee, which had risen significantly, from £17,470 in the previous year, to £24,000 for this audit. During 2016/17, Audit Scotland had revised its fee strategy to one of full cost recovery. It was established that the cost of auditing integration authorities was significantly more than the fees, noting that 2016/17 was the first year of operation for integration authorities, therefore most audit fees had been estimated. As part of the 2017/18 audit, the external auditors would undertake wider dimension work, and this was outlined in Exhibit 5 on page 9 of the audit plan.

Patricia Fraser drew members' attention to paragraph 18 of the audit plan, which set out the timetable for the audit, with the first key stage being 30 June 2018, when a set of unaudited annual accounts, complete with working papers, required to be submitted.

Councillor Stephen Sankey referred to Audit Risk 2, the wider financial position, and queried whether the position in the Source of Assurance had changed. Pat Robinson confirmed that, following a decision of the Finance and Performance Committee of NHS Orkney, additional funding would be provided to enable the Integration Joint Board to show a breakeven position at the year end. No decision had yet been taken by NHS Orkney on savings targets for 2018/19. However, should that target be set at 5%, that would equate to £1,200,000.

In relation to Audit Risk 4, Change of Chief Officer, Councillor Stephen Sankey asked that the external auditors take cognisance of the principle of succession planning.

Finally, in relation to Audit Risk 5, Long Term Financial Planning, Councillor Stephen Sankey suggested this might prove difficult, given that the Board had to cope with annual budgeting, from both its partners and the Scottish Government, and that they would be looking for advice from external auditors. Patricia Fraser confirmed that they had some examples of long term financial plans from other integration authorities which they would be happy to share.

The Audit Committee noted the external audit plan for 2017/18, prepared by Audit Scotland, attached as Appendix 1 to the report circulated.

6. Internal Audit Strategy and Plan

There had been previously circulated a report presenting the draft Internal Audit Strategy and Plan for 2018/19, for consideration and approval.

Olwen Sinclair explained the background to the internal audit function and appointment. The draft internal audit plan had been developed, based on a number of factors. There was no contingency allowance in the plan, therefore should any additional audit work be required, this would have to be commissioned separately, at cost, subject to agreement. The audit work detailed in the audit plan would be undertaken within the resources available and co-ordinated between the two internal audit teams.

Naomi Bremner suggested that the three audit committees should be liaising when audit plans were drawn up, and wondered whether regular meetings of the three audit committee chairs, together with external and internal audit, could be arranged. With regard to the review of the Locality Planning Groups, she asked whether the review would look at equality, effectiveness and efficiency. Olwen Sinclair replied that that specific audit would use the guidance issued by the Scottish Government as its baseline. Addressing Naomi Bremner's first point, Olwen Sinclair confirmed that she had contacted Scott Moncrieff prior to drawing up the draft internal audit plan.

Naomi Bremner advised that NHS Orkney's Audit Committee had considered an internal audit report on strategic and operational planning. It had been agreed that the audit report be shared with this Audit Committee in order to provide an opportunity to look at strategic planning across the board.

Referring to the proposed audit on Achievement and Measurements of Future Directions from the Strategic Commissioning Plan, Naomi Bremner queried whether some time could be allocated within the NHS Audit Plan. Olwen Sinclair again confirmed that she worked closely with NHS Orkney's internal auditors when allocating audit work.

Caroline Sinclair advised that opportunities might arise shortly, given that the Strategic Commissioning Plan was due for review, and the Scottish Government had indicated that it was reviewing directions and would be issuing guidance, as it was becoming apparent that integration authorities all had different approaches, therefore a standardised approach would be helpful.

Councillor John Richards referred to follow up work on Action Plans and queried what happened if an action was not progressed, as indicated, or completed by the agreed date. Olwen Sinclair confirmed that agreed internal audit recommendations were tracked on Aspireview, the Council's performance management and risk software, with six monthly updating. Any actions marked as Red were flagged to the Council's Senior Management Team, of which Caroline Sinclair was a member.

The Audit Committee thereafter noted that a comprehensive audit planning process had been undertaken by the Chief Internal Auditor in relation to 2018/19.

The Audit Committee **approved** the Internal Audit Strategy and Plan for 2018/19, attached to the report circulated.

7. Date and Time of Next Meeting

The Audit Committee noted that the next meeting would be held on Tuesday, 28 August 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 14:24.