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

Wednesday, 17 November 2021, 11:30.

Microsoft Teams.

### **Minute**

#### **Present**

- Davie Campbell, Non-Executive Director, NHS Orkney.
- David Drever, Non-Executive Director, NHS Orkney
- Jim Lyon, Interim Head of Children and Families, Criminal Justice and Chief Social Work Officer, Orkney Islands Council.
- Councillor John T Richards, Orkney Islands Council.
- Councillor Stephen Sankey, Orkney Islands Council.
- Frances Troup, Head of Community Learning, Leisure and Housing, Orkney Islands Council.

#### **Also Present**

- Issy Grieve, Non-Executive Director, NHS Orkney, and Chair of the Integration Joint Board.

#### **Clerk**

- Sandra Craigie, Committees Officer, Orkney Islands Council.

#### **In Attendance**

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

- Pat Robinson, Chief Finance Officer.

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

- Andrew Paterson, Chief Internal Auditor.
- Katharine McKerrell, Solicitor.

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

- Gillian Woolman, Audit Director.
- Claire Gardiner, Senior Audit Manager.

## **Observing**

- Lorraine Stout, Press Officer, Orkney Islands Council.

## **Chair**

Councillor Steve Sankey, Orkney Islands Council.

### **1. Declarations of Interest**

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

### **2. Minute of Previous Meeting**

There had been previously circulated the draft Minute of the Meeting of the Audit Committee held on 23 June 2021, which was **approved** as a true record, being proposed by Davie Campbell and seconded by Councillor John Richards.

### **3. Matters Arising**

There had been previously circulated the Matters Arising Log from the meeting held on 23 June 2021. Pat Robinson presented a short summary of the two outstanding items.

#### **3.1. Action 1: Finance Workshop**

Actions from the Finance Workshop had now been incorporated within a paper relating to improving outcomes which was approved at the IJB on 27 October 2021. Due to unforeseen circumstances, the Development Session arranged for Set Aside had been postponed. A new date would be arranged as soon as possible.

#### **3.2. Action 4: Internal Audit Report – Corporate Governance**

Due to time commitments, investigating the model for training and participation records utilised in respect of Orkney Islands Council's Pension Fund Sub-committee had not been progressed, but it was hoped this would be progressed prior to the next meeting.

### **4. 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 2021, to enable the Committee to seek assurance.

Gillian Woolman, Audit Director, Audit Scotland, directed members to the covering letter addressed to the Audit Committee of Orkney Integrated Joint Board, attached as Annex 1, dated 27 October 2021, which was when all audit work had been substantially complete. She confirmed that the Annual Audit report was in compliance with the International Standards on Auditing in the UK and highlighted that there were no unadjusted misstatements that needed to be brought to members' attention.

She went on to say that, as was the normal practice, written representations to Audit Scotland from the Section 95 Officer would be received in due course at the conclusion of the audit.

Directing members to Appendix A, which provided the proposed wording for the independent auditor's report, Gillian Woolman confirmed that the opinion on the 2020/21 Accounts was an unmodified opinion. The Independent Auditor's report also elaborated further on the work undertaken by Audit Scotland, together with the roles of the Chief Finance Officer, the Audit Committee and the Auditors. An opinion was also given on the Management Commentary, the Annual Governance Statement and the remuneration report, all of which were satisfactory. She also confirmed that there were no matters which she was required to report by exception.

Turning to the proposed wording for the Letter of Representation, Gillian Woolman noted that this had already been prepared for signature by the Chief Finance Officer. She went on to say that the Letter of Representation would only be signed when the Annual Accounts were approved and signed. She noted that the Chief Officer, who was the accountable officer, was not available to sign the Annual Accounts today and confirmed that she would address that point after the Annual Accounts had been presented later in the meeting.

Gillian Woolman then directed members to Annex 3, Annual Audit Report which was prepared for Orkney Integration Joint Board and the Controller of Audit and highlighted the following areas of the report to members:

- Page 3: Key Messages – noted that all members of the Board should be very familiar with the key messages but as this was the Audit Committee confirmed that she would go into detail of the report to let members know where the key messages came from.
- Page 4: Introduction – she confirmed that the Audit Committee had previously seen the Annual Audit Plan and highlighted that, due to the coronavirus pandemic, 2020/21 had been a very extraordinary year, especially the impact on service delivery, and confirmed that she could see from the minute of the previous meeting the degree to which the Chief Finance Officer had taken members through the draft Annual Accounts which told the story of the impact of COVID-19.
- Page 6: Main Judgements – she highlighted that further elaboration was given regarding the nature of the audit opinion at the conclusion of the audit. She further highlighted that from paragraph 13 onwards there were specific references to COVID-19 and noted that the accounts had been prepared in a good timescale and that Audit Scotland had been in receipt of the draft accounts before the end of June 2021. She further highlighted that the Scottish Government had recognised the challenges both for the preparation and audit of the accounts due to the pandemic and therefore the submission deadline for annual accounts and reports was moved from 30 September to 30 November. She also confirmed that, largely due to the audit process and the number of challenges in auditing remotely, advantage had been taken of the extended deadlines.
- Page 7: Paragraph 18 – she highlighted the concept of materiality in the planning and performance of the audit and confirmed that in the case of Orkney Integration Joint Board the overall materiality was £0.7 million.

- Page 7: Paragraph 21 – she confirmed that there was a cross reference to Appendix 2 which were the risks of material misstatement which were identified at the planning stage and that she would take members through some of the detail of Appendix 2 in due course.
- Page 8: She drew members attention to the significant findings and confirmed that an issue had been identified in the remuneration report which had been fully addressed by officers to her satisfaction. She further highlighted that the general fund reserve was now at a significant figure so it was felt that it was appropriate to add an additional narrative to the disclosure. She confirmed that she was satisfied by the actions taken by officers regarding this.
- Page 8: Paragraph 25 – She highlighted additional amendments which had been made. One was an amendment regarding a one-off payment of £500 to social care staff and she confirmed that, as the Integration Joint Board was acting as the agent of the Scottish Government for making those payments, that was the reason they did not have to appear in the Integration Joint Board's accounts. She also highlighted a timing difference in respect of funding with NHS Orkney relating to last year and confirmed that she was satisfied with the correcting entry made by the Chief Finance Officer regarding that matter.
- Page 9: Paragraph 29 – She confirmed that she was very pleased with the improvements made to the quality of the Management Commentary this year and highlighted that it was a very important year to capture the story of COVID-19.
- Page 9: Paragraph 33 – She confirmed that Audit Scotland had recognised the impact of COVID-19 which had resulted in the delay of some actions. She further noted that for areas not restarted, revised responses and timescales had been agreed and were set out in Appendix 1.
- Page 10: Financial Management and Sustainability – She highlighted that positive assurances were provided regarding the financial management in place during the year. Although an underspend was reported, additional funding was received from Scottish Government very late in the year, including £3.2 million for specific purposes such as winter planning allowance or funding for specific posts. She noted that the IJB reported an underspend against the revised budget of £2.3million, noting that Exhibit 3 on Page 11 set out the performance against the budget.
- Page 11: Paragraph 41 – She noted the decision in respect of the set aside budget for unscheduled care being delegated to the Integration Joint Board, which was a requirement of the 2014 Act, and conscious that further work was being developed in this respect.
- Page 12: Paragraph 46 onwards – She highlighted that there was a lot of elaboration given regarding the budget monitoring reports that were in place and recognised that improvements had been made in that regard.
- Page 13 – Paragraph 53 onwards – she highlighted the recommendation that the existing medium term financial plan should be revised to take account of the impact of COVID-19 and should incorporate plans for generating the revised level of required savings and confirmed that management had responded.
- Pages 13 and 14 – Paragraphs 59 and 60 – Financial systems – she reminded members that the IJB was dependent on its partners and confirmed that written assurances had been received from external partners and, for the record, stated that she was also the appointed Auditor for NHS Orkney and Orkney Islands Council.

- Page 14: Paragraphs 61 and 62 – She confirmed that following the Code of Audit Practice for Public Sector Audit in Scotland, an explicit confirmation had been provided that arrangements were in place for the prevention and detection of fraud and error.
- Page 15: Section 3 – She confirmed that there were positive assurances regarding governance arrangements that had been in place but highlighted the recommendation relating to the accessibility of key governance documents on the website for all interested parties. She also highlighted the changes in senior officers that had taken place and noted that things had settled down with the appointment of the permanent Chief Officer. However there remained an ongoing reliance on interim and agency staff which will continue to be monitored during 2021/22.
- Page 17: Paragraph 74 onwards – She noted that this section detailed how the Integration Joint Board was developing arrangements to secure Best Value which included the timeliness of performance management reporting and updating of the Strategic Commissioning Implementation Plan. Performance Management was elaborated further in terms of the Annual Performance Report which had been issued recently and updated in the Annual Report and Accounts.
- Page 18: Paragraph 85 onwards – She highlighted the reference made to the Feeley report and commented that she was conscious that the Chief Finance Officer had made reference to the extent to which that had been an important consultation for the IJB to be party to influence it going forward.
- Page 18: Paragraph 87 onwards – she highlighted the progress the IJB had made with regard to the Care Inspectorate’s report, published in February 2020, and noted that between April and June 2021, the Care Inspectorate had carried out a review of progress made in addressing the findings and provided some assurance about progress being made.
- Page 19: She drew attention to the national performance audit reports and confirmed that she was pleased to note that the officers had arrangements in place to bring pertinent ones to the attention of the Board and the Audit Committee.
- Page 20: Appendix 1 – She directed members to the two recommendations arising from the 2020/21 audit and also highlighted recommendations made at the previous audit, noting that some were still in progress and some had been completed.
- Page 24: Appendix 2 – She drew attention to the risks that had been notified at the planning stage, the arrangements that had been put in place and the results and conclusions of the audit work.
- Page 31: Appendix 3 – She confirmed that this was a summary of national performance reports for 2020/21 which may be of interest to members.

Councillor Stephen Sankey thanked Mrs Woolman for her presentation and extended the IJB’s thanks to the external and internal teams for their work on the audit. He commented that it was a very good audit and that it was good to read terms such as “unmodified” and “no material circumstances”.

Councillor Stephen Sankey then referred to Appendix 1, Issue/Risk 1 – Medium term financial plan update, and, as Chair of the IJB Audit Committee, he wanted to reassure Mrs Woolman and her team that the Chief Finance Officer was working on this recommendation and confirmed, as was stated in the report, that by June 2022 ideas would be brought forward.

Regarding Issue/Risk 4: Unscheduled care budget, Councillor Stephen Sankey confirmed that as this budget was now delegated to the IJB, a training session was planned on NHS finances and how to manage the uncheduled care budget.

Regarding Issue/Risk 9: Performance Management, Councillor Stephen Sankey confirmed that the Chief Officer was concerned about performance reporting generally, as well as financial performance, and commented that he was keen to amend the remit of this Committee to a Performance and Audit Committee.

Davie Campbell commented on Issue/Risk 1: Medium term financial plan update and queried whether it would be possible to get a draft report in March to get more information prior to going into the new financial year rather than midway through the financial year.

Pat Robinson responded that the Scottish Government would be announcing their medium term financial plan in early December and that she would be looking at the local authority and NHS Orkney to see what they were doing with their plans as the IJB's plan would link in with what funding was going to be received. She went on to confirm that she would hope to get the information and plan by March, as well as an approved budget.

Councillor Stephen Sankey then commented on Appendix 2 which highlighted the significant audit risks. Referring to Audit Risk 9 – Integration Scheme Review and assured the external auditors that further work would be done.

Regarding Audit Risk 10 – Changes in leadership, Councillor Stephen Sankey commented that the IJB were delighted with the permanent appointment of the Chief Officer who had had an immediate impact and confirmed that he was reviewing all aspects of the service.

Regarding Audit Risk 12 – Risk management, Councillor Stephen Sankey commented that he was delighted to see that progress on the risk management strategy would be presented twice a year.

Councillor John Richards requested that the Orkney Integration Joint Board 2020/21 Annual Audit Report be circulated to all elected members and Integration Joint Board members as he felt it was essential reading. He made a further request that, following the local elections in May 2022, when elected members received their induction from various services, including OHAC, the Annual Audit Report 2020/21 should be provided to the new administration as it contained so much useful, positive information.

The Audit Committee thereafter noted:

**4.1.** That Audit Scotland, as the Integration Joint Board's External Auditor, had concluded its audit of the Board's Annual Accounts for the year ended 31 March 2021.

**4.2.** That Audit Scotland had provided an unmodified certificate on the Integration Joint Board's Annual Accounts for the year ended 31 March 2021.

**4.3.** Audit Scotland's covering letter in respect of the Integration Joint Board Annual Audit Report, attached as Annex 1 to the report circulated, in accordance with the International Standard of Auditing 260.

**4.4.** The Integration Joint Board's Letter of Representation to Audit Scotland in connection with its audit of the Annual Accounts of the Integration Joint Board for the year ended 31 March 2021, attached as Annex 2 to the report circulated.

**4.5.** The Annual Audit Report to Members and the Controller of Audit in respect of the Integration Joint Board's Annual Accounts, attached as Annex 3 to the report circulated.

## **5. Annual Accounts**

There had been previously circulated a report presenting the final Annual Accounts for financial year 2020/21, for scrutiny and approval.

Pat Robinson expressed her thanks to Gillian Woolman and her team at Audit Scotland for their support and guidance during the audit process. She continued that the draft accounts were presented in June 2021, with pages 3 to 23, comprising the management commentary, providing an overview of the most significant matters reported for the financial year. She continued that progress had been made within services despite dealing with the coronavirus pandemic, details of which were highlighted on page 7. In regard to performance reporting, there was now an approved performance framework and she confirmed that the Annual Performance Report was presented to the IJB in October 2021.

She highlighted that, when presenting the draft accounts, a member had asked questions about reserves and she confirmed that, with the help of Audit Scotland, a new note had been added at Note 10 which showed the full breakdown of the reserves, which were all earmarked but gave a better understanding of what the reserves were to be used for.

Following a query from Davie Campbell, Pat Robinson confirmed that no additional material, financial or narrative changes had been made.

Councillor John Richards requested that, assuming the Annual Accounts were approved, he would like them circulated to all elected members and Integration Joint Board members as they perfectly encapsulated the work of the IJB as well as the challenges faced during a very difficult period.

Councillor Stephen Sankey concluded that he thoroughly enjoyed the Management Report and looking at all the benchmarks across Scotland on Pages 12 and 14, with the exception of one, Orkney was performing very well. On behalf of the IJB Audit Committee, he would like to thank all the staff at NHS Orkney and the Council for their hard work in what had been a very challenging year.

The Audit Committee noted:

**5.1.** That the Integration Joint Board was required to produce its own statutory accounts in terms of the Local Authority Accounts (Scotland) Regulations 2014 and Section 106 of the Local Government (Scotland) Act 1973.

**5.2.** That the minimum reporting requirements contained in the legislation included:

- To consider and approve the audited Annual Accounts for signature no later than 30 September immediately following the financial year to which the accounts relate.
- To publish the accounts on a website by 31 October.

**5.3.** That, in terms of the Coronavirus (Scotland) Act 2020, the deadline for publication of final accounts could be extended by two months, if required, from 31 October 2021 to 31 December 2021.

**5.4.** That, in order to enable Audit Scotland to manage competing priorities, a revised timetable had been agreed and the signed Annual Accounts, together with an appropriate audit certificate, would be published by 30 November 2021.

**5.5.** The management commentary, comprising pages 3 to 23 of the Annual Accounts, attached as Appendix 1 to the report circulated, which provided an overview of the most significant matters reported in the Annual Accounts for financial year ended 31 March 2021, with the key facts and figures summarised at section 5.3 of the report circulated.

On the motion of Councillor Stephen Sankey, seconded by Councillor John Richards, the Audit Committee **approved**:

**5.6.** The Annual Accounts for financial year 2020/21, attached as Appendix 1 to the report circulated.

Gillian Woolman elaborated on the next steps regarding the signing of the accounts now that the IJB Audit Committee had approved the Annual Accounts for Financial Year 2020/21. She confirmed what would normally happen was the key individuals would sign the accounts, using specialised software for remote signing, all on the same day, and she would then be the last signatory. She was conscious that the Chief Officer was not available to sign the accounts, and therefore recommended that as the Annual Accounts and the Letter of Representation should all be signed on the same day, they should wait until the Chief Officer was in a position to sign and thereafter all the other signatories should sign on the same day. She confirmed that she would liaise with the Chief Finance Officer in this regard. Members were all in agreement with this recommendation.

## **6. Adoption Allowances and Kinship Payments**

There had been previously circulated a report presenting Orkney Islands Council's internal audit report relating to procedures and controls relating to adoption allowances and kinship payments, for information.



Andrew Paterson confirmed that the audit had been carried out for the Council and presented to the Monitoring and Audit Committee on 23 September 2021. He continued that the audit provided adequate assurance that the processes and procedures relating to adoption allowances and kinship payments were well controlled and managed. Several areas of good practice had been identified, as well as four medium recommendations. There were no high level recommendations.

Councillor Stephen Sankey asked Councillor John Richards, as Chair of the Council's Monitoring and Audit Committee, to give members a short summary on how the report had been received at that meeting held on 23 September 2021.

Councillor John Richards confirmed that it was important to focus on the purpose of the audit and for this audit it was to look at the procedures and controls relating to adoption allowances and kinship payment. However, within the body of the report several comments were made in relation to Scotland, unlike the rest of the UK, not having a national minimum allowance for foster carers. Councillor John Richards went on to say that the rest of the UK adopted national minimum allowances in 2015/16 and commented lobbying should be done via COSLA regarding this fact. The report also stated that the Scottish Government was committed to make recommendations in respect of this matter in the near future. He stated that he was also shocked to discover the disparity in allowances across Scotland which varied from £77.96 to £200.00 per week for a 0-4 year old child. He queried whether it would cost £122 more in one area of Scotland than another. He went on to say that what the report did not tell him was where Orkney stood in the table of payments but did state that the rates for foster, kinship and adoption allowances had remained static at the Council since 2015/16.

Councillor John Richards continued that elected members look at various fees and charges annually and recommend an increase or whether it should remain static. However, he had never seen this figure and it had not been brought to his attention that this payment had not increased since 2015/16. He was sure that he would not be the only elected member that would be concerned by that fact. He continued that for him that was the issue, not the audit report or the recommendations, but what was contained within the body of the report that alarmed him and the other members of the Monitoring and Audit Committee. Councillor John Richards further queried how the allowances were set and how members of the IJB Audit Committee would be able to scrutinise this in the future.

Councillor Stephen Sankey commented that all four recommendations of the audit were asking for a "review" so the onus was on the service to review and he hoped that the service would take on board the comments of the Monitoring and Audit Committee, as well as the comments made at this meeting.

Jim Lyon commented that Councillor Richards had given an excellent summary of how the report had been received at the Council's Monitoring and Audit Committee. He gave assurance that the service had already begun to look at the range of issues in the audit report and were looking at ways in which to increase the fees and to do so on an annual basis. He further commented that, from his experience, the wider benchmark position and the national position was not likely to be resolved any time soon.

Following an earlier query from Councillor John Richards, Jim Lyon confirmed the way he had previously dealt with any inflationary uplift was that, every year there would be mention of what the current inflationary scales were running at and that would be part of an annual report of fees and charges, which would also include items such as pocket money and toiletry rates, which would go to the Policy and Resources Committee.

Davie Campbell requested clarification regarding the governance route for this item. He highlighted that this was a very important matter for the IJB but was an area where the IJB had influence but had no decision-making powers, so he queried what was the role of the IJB regarding this item and what would next steps be.

Councillor Stephen Sankey confirmed that this was a good question and was one for the Chief Officer to get his views. As the Chief Officer was not present, the Chair requested that the query be minuted for the Chief Officer to respond to at a later date.

Councillor John Richards thanked Jim Lyon for his reassurance and that the matter was under review.

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

It was agreed that the next meeting be held on Wednesday, 16 March 2022 at 09:30.

It was noted that the following dates had also been scheduled:

- Wednesday, 22 June 2022 at 09:30.
- Wednesday, 28 September 2022 at 09:30.
- Wednesday 7 December 2022 at 09:30

## **8. Conclusion of Meeting**

There being no further business, the Chair declared the meeting concluded at 12:28.