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Agenda Item: 7

Integration Joint Board – Audit Committee

Date of Meeting: 10 March 2021.

Subject: Internal Audit Corporate Governance of Orkney Integration Joint Board.

1. Summary

1.1. This report introduces Azets' Internal Audit Report on corporate governance of the Integration Joint Board (IJB).

2. Purpose

2.1. To present Azets' Internal Audit Report on corporate governance of the IJB.

3. Recommendations

The Audit Committee is invited to:

3.1. Scrutinise and seek assurances on the internal audit of corporate governance report prepared by Azets' attached as Appendix 1 to this report.

4. Background

4.1. Corporate Governance is concerned with the structures and processes for decision making and accountability, internal control and standards of behaviour at the top of organisations. Corporate Governance is the process and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation towards the achievement of its objectives. Good governance should be demonstrated through a clear commitment to effective public performance reporting on the quality of the services being delivered and future service delivery.

4.2. On 18 November 2020, the Audit Committee approved the 2020/21 Internal Audit Assignment Plan in relation to Corporate Governance.

5. Audit Findings

5.1. The audit findings, attached as Appendix 1 to this report, provide assurances that the process for decision making and accountability, internal control and standards of behaviour at the top of the organisation is well designed and operating effectively in the areas reviewed. The Integration Scheme demonstrably aligns with the Public Bodies (Joint Working) (Scotland) Act 2014 and reporting arrangements are documented within the Standing Orders.

5.2. Areas of good practice are highlighted within the key findings of the internal audit report. It is noted that there are three areas for improvement to enhance further the approach to corporate governance. The three identified areas will be progressed by the service as a matter of priority.

6. Contribution to quality

Please indicate which of the Orkney Community Plan 2019 to 2022 visions are supported in this report adding Yes or No to the relevant area(s):

Resilience: To support and promote our strong communities.	No.
Enterprise: To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
Equality: To encourage services to provide equal opportunities for everyone.	No.
Fairness: To make sure socio-economic and social factors are balanced.	No.
Innovation: To overcome issues more effectively through partnership working.	No.
Leadership: To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
Sustainability: To make sure economic and environmental factors are balanced.	No.

7. Resource implications and identified source of funding

7.1. There are no resource implications associated directly with the recommendations to this report.

8. Risk and Equality assessment

8.1. There are no risk or equality implications associated with this report.

9. 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.

10. Escalation Required

Please indicate if this report requires escalated to:

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

11. Authors

11.1. Matthew Swann, Internal Auditor, Azets.

11.2. Pat Robinson, Chief Finance Officer, Integration Joint Board.

12. Contact details

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13. Supporting document

13.1. Appendix 1: Internal Audit Corporate Governance of Orkney Integration Joint Board.



Orkney Integration Joint Board

Internal Audit Report 2020/21

Corporate Governance

February 2021



Orkney Integration Joint Board

Internal Audit Report 2020/21

Corporate Governance

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Audit Sponsor	Key Contacts	Audit team
<i>Gillian Morrison, Interim Chief Officer</i>	<i>Stephanie Johnston, Directorate Secretary</i>	<i>David Eardley, Director</i>
<i>Pat Robinson, Chief Financial Officer</i>		<i>Matthew Swann, Associate Director</i>
		<i>Stacey van der Windt, Internal Auditor</i>

Executive Summary

Conclusion

From review of Orkney IJB's corporate governance arrangements we found that the Integration Scheme is in place and aligned to the Public Bodies (Joint Working) (Scotland) Act 2014. The Integration Scheme includes the reporting arrangements between the IJB and its committees (ie the Audit Committee and the Clinical Care and Governance Committee).

However, we have noted a number of areas for improvement. These include:

- **submitting the up-to-date structure and membership of groups of committees to the IJB Board within a timely manner to help ensure the IJB and its committees are performing within their remit and responsibilities.**
- **tracking actions raised by External Auditors to enable timely completion.**
- **developing a process to support the tailored development needs of Board members for the specific characteristics of the IJB.**

Background and scope

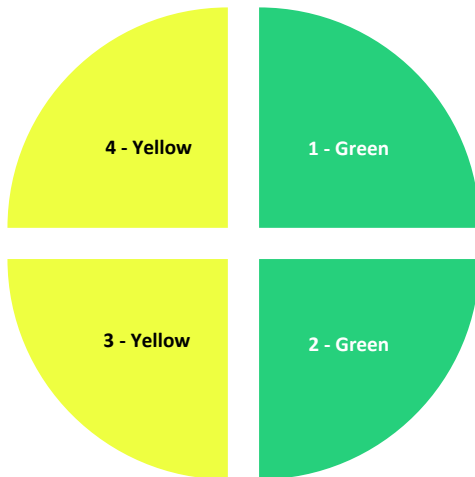
Corporate Governance is concerned with the structures and processes for decision making and accountability, internal control, and standards of behaviour at the top of organisations. Corporate Governance is the process and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation towards the achievement of its objectives. Good governance should be demonstrated through a clear commitment to effective public performance reporting on the quality of the services being delivered and future service delivery.

The scope of this review has focused on the corporate governance arrangements that are in place within the IJB.

In Orkney, the Health Board and Local Authority have opted to delegate functions to an Integration Joint Board. This Board is a separate legal entity namely the Orkney IJB. In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, the Integration Scheme was designed in 2015 following the appropriate consultation with key stakeholders and review against the legislative requirements.

Control assessment

■ 1. Structure and membership of groups are in place that are aligned with relevant guidance (e.g. SPFM/On Board) and clearly set out the remit and responsibilities of the Board and all committees.

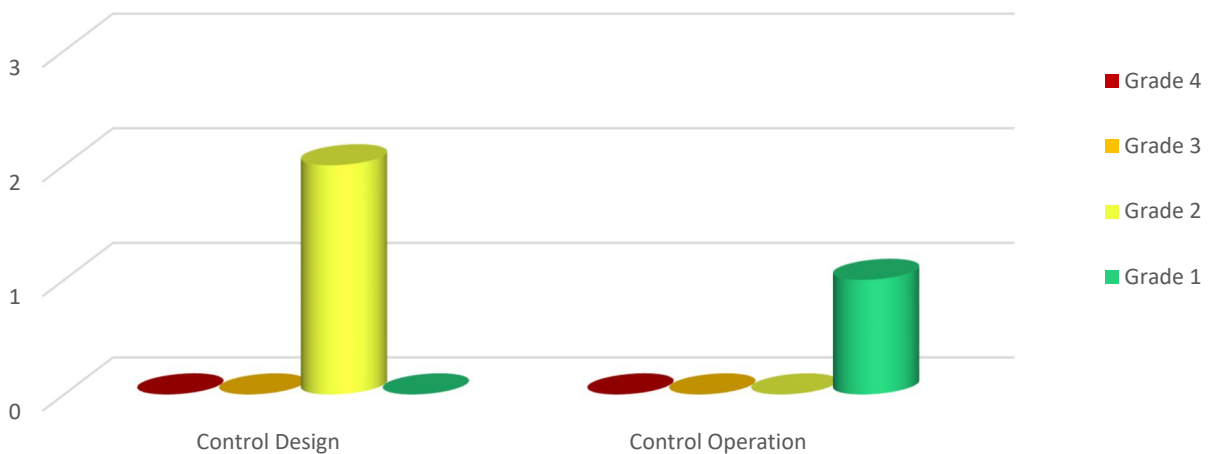


■ 2. Sufficient arrangements are in place for committees to report back to the Board and for the Board to scrutinise the work of each Committee.

■ 3. The Board maintains a sound system of internal control to safeguard stakeholder interests, with a robust review of the effectiveness of internal controls taking place at least annually.

■ 4. The roles and responsibilities of Board members (both executive and non-executives) have been clearly defined and communicated, with the organisation supporting staff and committee members to be effective in their role.

Improvement actions by type and priority



Three improvement actions have been identified from this review, one in relation to operation of controls and two relating to the design of controls. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have confirmed that Orkney IJB's procedures reflect good practice in a number of areas, including:

- The IJB Integration Scheme is aligned to the Public Bodies (Joint Working) (Scotland) Act 2014 and sets out the remit and responsibilities of both the IJB and its committees.
- The reporting arrangements are documented within the Integration Scheme and the reporting arrangements are documented within the Standing Orders.
- The IJB and Orkney Islands Council share access to Pentana software, used to record and track the agreed management response and progress against internal audit actions.
- Development sessions are organised for the IJB Board members, to support continuous development and provide for robust oversight and challenge commensurate with the roles and responsibilities.

Areas for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen Orkney IJB's control framework. These are:

- The structure and membership of groups approved by the IJB in 2016 have been updated by management but have not been formally presented to the Board for review and approval.
- The IJB does not proactively and formally track progress against actions raised by external audit.
- A process should be developed to promote the ongoing development of Board members in the operations of the IJB.

These are further discussed in the Management Action Plan below.

Impact on risk register

This review is not linked to a specific risk on the Corporate Risk Register, but reflects general governance-related risks,

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: Structure and membership of groups are in place that are aligned with relevant guidance (e.g. SPFM/On Board) and clearly set out the remit and responsibilities of the Board and all committees.



Green

1.1 Review of the committees' structure and membership of groups

The IJB Integration Scheme outlines the structure and membership of the Board and Committees within the IJB, including the Audit Committee and the Clinical Care and Governance Committee. The Integration Scheme is aligned to the Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and sets out the remit and responsibilities of both the IJB and its committees. It is located on the IJB's website. The appendix includes in detail the structure and membership of groups.

In accordance with the Act, section 44 the Integration Scheme should be reviewed every five years. The Integration Scheme was initially scheduled to be reviewed in summer of 2020 however, due to the impact of COVID-19, the Scottish Government advised in March 2020 that there was not a requirement to prioritise the development of a revised Integration Scheme. We have noted in the recorded IJB meeting minutes of 30 September 2020, the review has been postponed and was due to commence in March 2021, but in fact was started in December 2020.

The structure and membership of groups documents for both the Audit Committee and the Clinical Care and Governance Committee were last approved by the IJB in 2016. Since updated by management, they were not submitted for review and approval by the Board. (We noted relatively minor amendments by management and the content appears to be reasonable in context).

Risk

The proceedings of the committees may be impaired if not operating under up to date and periodically reviewed structure and membership of groups. This could lead to issues around authorities and role/responsibilities.

Recommendation

Management should implement a review schedule on the documents that are in place within the IJB, such as the structure and membership of groups for both the Audit and Clinical Care and Governance Committee. This will help ensure that they are up-to-date and reflective of the current practices.

Grade 1
(Operation)

Management Action

A document has been produced by the Chief Officer illustrating when governance documents need to be reviewed. The structure and membership of groups will be refreshed and presented to the IJB for approval in late summer 2021.

Action owner: Chief Officer

Due date: September 2021

Control Objective 2: Sufficient arrangements are in place for committees to report back to the Board and for the Board to scrutinise the work of each Committee.

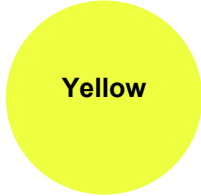
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No reportable weaknesses identified

The IJB has reporting arrangements as documented within the Integration Scheme. [This e](#)-outlines the structure and membership of groups within the IJB including the Audit and Clinical Care and Governance Committee.

The IJB's 'Standing Orders for Meetings' (the Standing Orders) states, as far as applicable, the rules and regulations for the proceedings of Committees and Sub-Committees of the IJB. The Integration Scheme refers to the Standing Orders, which set out the dispute resolution mechanism. Both the Integration Scheme and the Standing Orders are located on the IJB's website.

We have performed sample testing of three IJB meeting minutes, confirming that committee minutes have been presented during the IJB meeting. The committee minutes include information on the committee coverage and any issues that have been raised within the minutes are addressed within the Chair's report.



Control Objective 3: The Board maintains a sound system of internal control to safeguard stakeholder interests, with a robust review of the effectiveness of internal controls taking place at least annually.

3.1 In-house recording of the remedial actions

We have obtained supporting evidence that the IJB tracks actions brought forward by Internal audit using Pentana Risk. However, we have noted that the Management actions arising from recommendations raised by External Audit are not formally recorded and tracked by management (although the Chief Finance Officer noted that consideration was being made to record actions raised by External Auditors in Pentana Risk).

Risk

Actions may not be demonstrably addressed in a timely manner without a suitable monitoring system, resulting in the IJB not mitigating the associated risks in an efficient and effective manner.

Recommendation

Management should implement an in-house process to monitor actions arising from external audit recommendations. This should include SMART metrics such as deadlines and action owners.

Management Action

**Grade 2
(Design)**

These actions are updated and presented to the IJB Audit Committee as part of the annual external audit report. However, these will be included within the Pentana system so more frequent updates will be available.

Action owner: Chief Finance Officer

Due date: April 2021

Control Objective 4: The roles and responsibilities of Board members (both executive and non-executives) have been clearly defined and communicated, with the organisation supporting staff and committee members to be effective in their role.



4.1 Attendance of the development sessions

The Integration Scheme notes that the overall responsibility for ensuring that Board members have suitable knowledge and experience to undertake the role rest with NHS Orkney and Orkney Islands Council. This relates to relevant need for general training and is required to be supplemented where relevant to enable Board members to understand the activities of the IJB.

We have noted that development sessions have been planned for Board members to attend to enable them to have the appropriate knowledge to undertake their role. However, we have noted that not all Board members have attended relevant sessions.

Risk

There is a risk that the IJB members do not perform their role effectively due to the lack of tailored knowledge of how the IJB operates. This could result in a lack of robust oversight and challenge of management's actions.

Recommendation

We recommend management identify an approach that encourages a greater take up of the development sessions. Feedback should be sought from those in attendance and those that have not been able to attend to ensure the sessions add value to attendees.

Management Action

Grade 2
(Design)

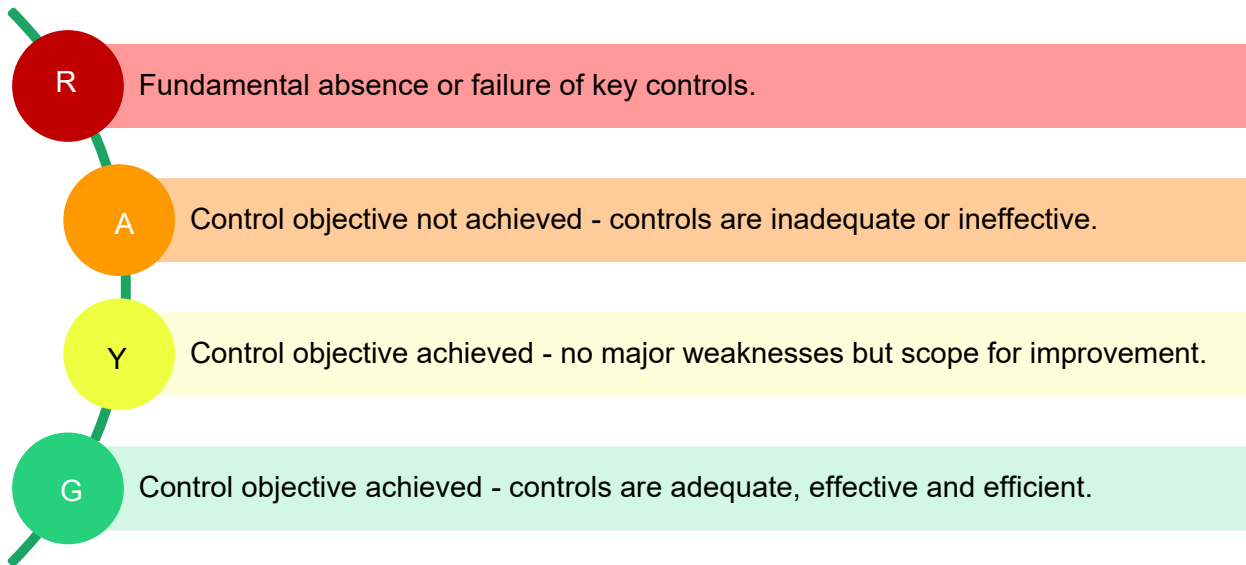
Attendance log is held in regard to each development session and feedback will be requested as to reasons for non attendance.

Action owner: Chief Officer

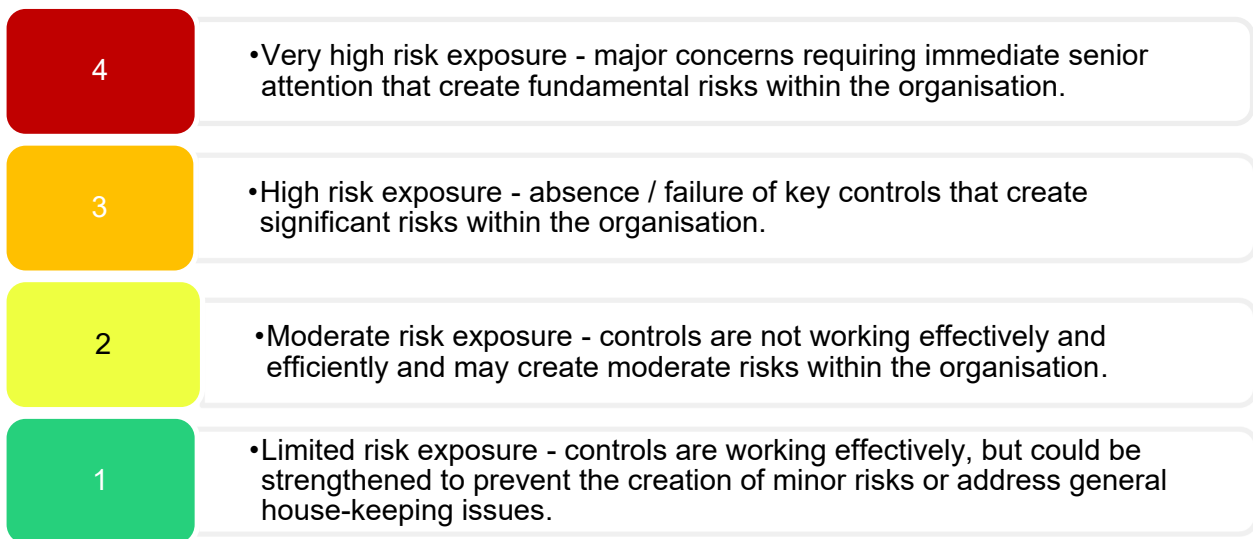
Due date: April 2021

Appendix A – Definitions

Control assessments



Management action grades



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