

MINUTES - PUBLIC

Meeting	Integration Joint Board Audit Committee
Date, Time and Place	Wednesday 1 March 2017 at 2.00pm Bressay Room, NHS Shetland HQ, Burgh Road, Lerwick
Present [Members]	<u>Voting Members</u> B Fox M Williamson
In attendance [Observers/Advisers]	S Bokor-Ingram, IJB Chief Officer K Williamson, IJB Chief Financial Officer J Best, Solicitor, SIC C Ferguson, Director – Corporate Services, SIC M Nicolson, Chief Social Work Officer, SIC J Riise, Executive Manager – Governance & Law, SIC H Sutherland, Head of Planning and Modernisation, NHS Shetland C Smith, IJB Member A Wishart, IJB Member K Watt, Deloitte L Geddes, Committee Officer, SIC <i>[note taker]</i>
Apologies	T Morton
Chairperson	<u>Appointment of Interim Chairperson – Standing Order 3.1</u> The Executive Manager – Governance and Law referred to the unusual circumstances of today's meeting whereby it was only just quorate - with two members present - so there could be no such thing as a casting vote, so any unresolved issues would have to be left as unresolved between the two members present. He went on to say that nominations would usually be sought for the position of Interim Chairperson, but as neither the Chair nor the Vice Chair of the IJB could serve as Chair of the Audit Committee, it would not be competent in terms of the Scheme of Administration for Mrs Williamson to chair the meeting. Mr Fox was the only person at the meeting competent in terms of the Scheme of Administration to chair the meeting and, accordingly, Mr Fox assumed the Chair.
Declarations of Interest	None
Minutes of previous meetings	The Chair advised that he was the only member present today that had attended the meeting held on 23 November 2016, and he was satisfied that the minutes were an accurate record.

<p>01/17</p> <p>Report No. CC-11-17-F</p>	<p>External Audit Planning Report to the Audit Committee on the 2016/17 Audit</p> <p>The IJB Audit Committee considered a report by the IJB Chief Financial Officer on the Deloitte Planning Report on the 2016/17 audit of the IJB.</p> <p>The Chair welcomed Ms Karlyn Watt, Deloitte, to the meeting.</p> <p>Ms Watt advised that this was the first year the audit had been carried out, and it set out the key areas that were being looked at in terms of the audit work - financial statements and audit dimension. Two significant risks had been identified regarding income recognition and management override of controls, and these were not specific to the IJB. The 2016 Code of Audit Practice set out four audit dimensions which set a common framework for all public sector audits in Scotland. The audit work would consider how the IJB was addressing these, and would report the conclusions in the Annual Report to the Audit Committee in September.</p> <p>Ms Watt then responded to questions, and the Committee noted the following:</p> <ul style="list-style-type: none"> • Deloitte was responsible for auditing both NHS Shetland and Shetland Islands Council and managed three audits. She had oversight of these, and all teams involved were aware of issues arising in each of the audits. • The IJB had to follow the local authority code of practice, and there had been some recent changes to this code which were outlined. It was not envisaged that the slight change regarding income and expenditure statements would have any impact on the IJB. There had been changes to the CIPFA Code of Practice, and boards would have the ability to report in a standard format across the public sector. Guidance had been issued in terms of governance in the local authority framework, and a governance statement was being prepared. Some guidance had been about improving clarity and there had been a revised statement on the role of the Chief Financial Officer. It was expected to see reference to this in the governance statement. • Deloitte was responsible for auditing the three Ayrshire IJBs, and Deloitte would be looking at ways of identifying best practice from these audits so that learning could be shared across areas. A template will be produced by LASAAC/TAG which will help standardise the format of IJB annual accounts in 2016/17. • Materiality was determined as £723,000, and performance materiality determined as £542,250. Performance materiality was at a lower level, and if any errors were identified, there
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was a buffer between materiality and performance. If anything was identified above £723,000, this would have an impact in terms of the audit.

- Income recognition related to ensuring that the agreed budgets had been put in place, and the audit sought to check that the amounts disclosed were in accordance with that. It was not for the auditors to comment on what the budget was.
- It was not expected that there would any non-audit service fees for the period.

It was questioned if Deloitte was confident it would be able to gain a full understanding of the IJB's self-evaluation arrangements - as referred to on page 13 of the report - and audit this in a meaningful way, given that the IJB was a complex operation and health and social care had many facets.

Ms Watt advised that this was the first year of the audit process, so the audit had a wider scope. Discussion would take place with the relevant people in the bodies to gain an understanding of what was in place in terms of monitoring value for money. It had been taken onboard that the IJB was at an early stage and, in this first year, the focus would be on where the information would be sought and if there was a need for further work in future years.

It was noted that two significant risks had been identified regarding 'income recognition' and 'management override of controls', and that the management override of controls specifically referred to "management within Shetland Islands Council acting on behalf of the board may be able to override controls that are in place to present inaccurate or even fraudulent financial reports". It was questioned why there had been specific reference to Shetland Islands Council's management, and the Chair stated that he was uncomfortable with this particular reference remaining in the report.

Ms Watt explained that this had been included in terms of financial systems and access to the financial ledger, which sat within the Council system as the Council prepared the accounts. On reflection, the statement should have referred to both partners, as the management of both partner organisations could override controls. Therefore she would arrange for it to be change to reflect this, and the Committee agreed that this should be carried out.

The Executive Manager – Governance and Law added that each organisation had its own management structures and all contributed to the work of the IJB. There were four appointed officers to the Board - two of which were from NHS Shetland and two of which were from the Council. He expressed his concern regarding the use of the words "override" and "present" in the

	<p>statement, as these both implied positive acts with the intention of presenting inaccurate or fraudulent financial reports.</p> <p>Ms Watt advised that this was standard wording, but it could be reconsidered. Given that the papers would be published on the Audit Scotland website, it was important that both partners were happy with the wording.</p> <p>It was questioned if the proposed standardised template would follow a local authority or a health board format, and Ms Watt advised that it would reflect a local authority format.</p> <p>The Executive Manager – Governance and Law advised that other boards that the Council were involved with presented their accounts in a format that were sympathetic to the Local Authority style, and the expectation within the legislation was that Local Authority Standards would, in the main, be used and so is what the IJB would expect.</p>
Decision	<p>The Integration Joint Board Audit Committee noted the Deloitte Planning Report on the 2016/17 audit of the Integration Joint Board, including updates that would be made according to the feedback given.</p>

02/17	NHS Internal Audit Report: Strategic Planning – September 2016
Report No. CC-09-17-F	<p>The IJB Audit Committee considered a report by the Head of Planning and Modernisation, NHS Shetland, which presented the findings of a recent NHS Internal Audit Study carried out on the topic of strategic planning.</p> <p>The Head of Planning and Modernisation summarised the main terms of the report, advising that the remit at the time the study had been carried out by Scott Moncrieff was to look only at NHS arrangements. The IJB's internal audit service was currently undertaking a holistic review and would draw on the Scott Moncrieff report in reaching their conclusions. She then outlined the recommendations that had been made, the management response to these recommendations, and the progress that had been made. She advised that she was generally comfortable with the findings and had made a positive recommendation that the Committee agree the management responses, and recommend to the IJB that the Action Plan is accepted.</p> <p>In response to a question, she advised that the study had been part of the NHS Shetland Audit Plan for 2017, and there was an acceptance that it was a piece of work that had been carried out at a particular point in time. It would have been more appropriate for the IJB if the scope had been extended to include the whole business, but the IJB's auditor would be able to use the report in terms of the scope of work he was doing at the moment to look at the totality of the IJB's arrangements.</p>

	<p>Part of this programme of work would be presented in the next financial year. The strategic plan dealt with health services, but it was appropriate to present it to this Committee because it related to IJB business.</p> <p>It was noted that it had been identified that there were insufficient arrangements in place for monitoring on progress of action plans, and suggested that there was a need to include more reference to progress that had been made on action plans, and how this would be monitored in the progress report, as there was no reference to how the outstanding work was being progressed.</p> <p>The Head of Planning and Modernisation advised that these comments had been made at the particular point in time when the report had been prepared. The Strategic Commissioning Plan was currently being updated, and would be approved on 10 March. The schedule of activity and reporting schedule that had been prepared but would require to be approved, and it was important not to pre-empt any decision. A business programme had been established for the IJB, and alongside that there would be a business programme for the Audit Committee. In the meantime, the Committee could be assured that the system was well-established, and it would be looked at again in the future.</p> <p>It was suggested that action plans should measure performance in relation to the particular action that had been taken.</p> <p>The Director of Corporate Services advised that the detailed updated development plans would look at individual actions, objectives and outcomes, and this linked closely to risk. What had been put in place was a reporting framework for these actions, and work was continuing to develop this.</p>
Decision	<p>The Integration Joint Board Audit Committee considered and commented on the findings of the Internal Audit Report on Strategic Planning, and agreed the Management Responses included in the Action Plan and recommended to the IJB that the Action Plan is accepted.</p>

The meeting concluded at 2.40pm.