

Integration Joint Board

Date of Meeting: 24 August 2022

Title of Report: Audit & Risk Committee Annual Report 2021-22

Presented by: Chair Audit and Risk Committee

The IJB is asked to:

- Note the annual report

1. EXECUTIVE SUMMARY

- 1.1 In line with the principles of good governance, an Annual Report is prepared by the Audit & Risk Committee for submission to the Integration Joint Board. The purpose of this report is to provide the IJB with assurance that the Audit and Risk Committee has evaluated its activity and performance. It also provides a further opportunity for the Committee to raise any matters of concern to the Board. This report provides the Annual Report of the Audit & Risk Committee for financial year 2021/22.
- 1.2 The Committee has met on 5 occasions throughout the year, with all minutes submitted to the Integration Joint Board and published within those papers. The Committee has been supported throughout the year by the Council's Committee services team and all papers and minutes have been published for members to access.
- 1.3 This report provides both a summary of the work of the Committee, the auditors as well as an evaluation by the Chair.

2. INTRODUCTION

- 2.1 The purpose of this report is to provide the IJB with a summary of the work of the Audit & Risk Committee and assessment of how it has performed its governance role throughout 2021/22. Whilst there were a number of challenges faced by the Committee and the HSCP more widely, overall the Committee performed well in its oversight of audit and risk and is therefore pleased to be able to provide assurance to the IJB that the Committee has operated effectively throughout the year.

3. DETAIL OF REPORT

- 3.1 The report provides the following:
- Summary of the Committee Meetings
 - Progress with the improvement agenda

- Committee Membership and Remit
- Evaluation by Chair

Additionally, the key reports prepared by the Internal and External Auditors are included as appendices.

3.2 **Audit & Risk Committee Meetings**

This section provides a summary of the items of business considered at each of the meetings of the Committee held during the year. Meetings were held electronically throughout. Additionally, the on-going impact of Covid-19 resulted in some disruption to planned timing of audit work, implementation of audit recommendations and scheduling of meetings. The IJB is provided with the minutes of each meeting as a matter of course, this also provides members with the opportunity to raise issues or question the Chair in respect of the work of the Committee at any point during the year.

3.2.1 Meeting 1 - 20 April 2021

- The Audit & Risk Committee Annual Report 2020/21 was considered and approved with minor changes.
- The Annual Internal Audit Report was also considered and approved.
- The External Audit plan and timetable was approved, noting that the deadline for sign off had been pushed back to 30 November 2021.
- Audit Scotland – NHS in Scotland 2020. The Committee considered this report which related to the way in which the NHS had managed the Covid-19 pandemic.
- Audit Scotland – Tracking the implications of Covid-19 on Scotland's Public Finances. Again this report was considered in detail along with the potential implications for public finance.
- The Internal Audit Plan, to be delivered by the Argyll & Bute Council Internal Audit Service was considered and approved.
- Internal Audit – Charging for Non-Residential Care Services. This report by the Internal Auditor was endorsed.
- Draft Financial Statements - Management Commentary and Governance Statement. The Committee had an early opportunity to review the contents of some sections of the draft Annual Report and Accounts.
- An updated Risk Management Strategy was considered and endorsed.
- The Committee also considered a report outlining progress made in respect of Workforce Planning.

Meeting 2 – 29 June 2021

- 3.2.2 This meeting considered the un-audited accounts and governance statement in detail and approved these.

The committee also formally thanked Judy Orr, Head of Finance and Transformation for her contribution to the Health and Social Care Partnership and for her contribution to the work of the Audit & Risk Committee specifically.

3.2.3 Meeting 3 – 10 November 2021

This purpose of this meeting, which had been re-scheduled, was to approve the audited Annual Accounts and the Audit Report, presented by Audit Scotland. The committee welcomed the positive report by Audit Scotland and thanked the finance teams for their role in this. The Committee also welcomed the favourable outturn for the year but acknowledged that challenges in respect of financial sustainability remained.

Upon conclusion of the formal meeting, members of the committee had the opportunity to have a private discussion with the Internal and External Auditor with no members of the executive team present. This is an important aspect of the role of the committee as it ensures that members are able to discuss issues freely with the independent auditors.

3.2.4 Meeting 4 – 10 December 2021

- Internal Audit Report – Care Programme Approach. The Committee considered this report in detail as it provided only limited assurance in respect of this area of activity. The management responses were accepted by the Committee, however, management were asked to accelerate their implementation if at all practicable.
- Internal Audit Report – Child Protective Services. This report was noted as it related to the Argyll & Bute Council internal audit programme. The report provided a substantial level of assurance, which was welcomed by the committee.
- Internal Audit Update – this report summarised progress in implementing Internal Audit Recommendations. It was requested that management updates be more comprehensive in future.
- Audit Scotland – Vaccination Programme. The Committee considered the positive report by Audit Scotland in respect of the national vaccination programme. The implications of the recommendations for the HSCP were discussed. A number of other relevant Audit Scotland reports were also highlighted.
- Strategic Risk Register – an updated Strategic Risk Register was reviewed and endorsed by the Committee, prior to its consideration by the IJB. It was noted that the risk environment facing the HSCP was perceived as worsening at this time.

3.2.5 Meeting 5 – 15 February

- Internal Audit Update – TBC
- Draft Annual Report of the Audit & Risk Committee
- Audit Scotland – Social Care Briefing. This report highlighted a number of challenges facing the Social Care Sector at present with Audit Scotland suggesting that these were sufficiently severe as to be putting service delivery at risk.

3.3 Committee Self-Evaluation and Improvement

3.3.1 The self-assessment process was completed by the Committee in February 2021 and was reported in full in the Committee's annual report for 2020/21.

The exercise was not repeated in 2021/22. The table below summarises progress in respect of the improvement agenda arising from the self-assessment exercise:

Training for new Committee Members	Board Development Events are now held regularly, specific induction and training for new committee members will be required for new members due to join in 2022.
More timeous reporting on performance concerns, policies and strategies & Risk Management	Partially Complete – contextual reports are provided to the committee and the Strategic Risk Register is now considered regularly. Performance reporting continues to sit largely with the Finance and Policy Committee and the IJB.
Minutes to highlight key issues	Complete – minutes report key issues and actions.
Action tracker to be established	Tracker of progress in implementing audit recommendations now in place.
Meetings to be held with independent auditors with no officers present.	Complete – this is now scheduled for 1 meeting per year minimum.

It is acknowledged that there were a number of challenges faced by management during the year, including the ongoing impact of Covid-19, a change in the Internal Audit providers and significant turnover within the senior team. Despite this, a number of improvements have been implemented during 2021/22.

3.4 Committee Membership and Remit

- 3.4.1 The Committee membership consists of six IJB members, the Committee chair may not be either the Chair or the Vice-Chair of the IJB. Only 4 places were filled during the year. The IJB is currently seeking to appoint to the vacant positions. In addition there are 4 required attendees – the Chief Officer, Chief Financial Officer, External Auditor (Audit Scotland) and Internal Auditor (Argyll & Bute Council Internal Audit Service). Other officers attend as required.
- 3.4.2 Councillor Sandy Taylor stepped down from chairing the Audit & Risk Committee at the end of the year. The Committee wish to express thanks to Councillor Taylor for the role he has played in ensuring that the Committee has operated effectively, carried out its duties with diligence and driven the improvement agenda.
- 3.4.3 The remit was last revised in January 2021, the Committee has ensured that its work is consistent with its remit and this enables the Committee to provide

3.5 assurance to the IJB that it has fulfilled its role effectively throughout 2021/22.

Evaluation by the Chair

3.5.1

Despite on-going challenges arising from the Covid-19 pandemic, the committee has met regularly and has been able to operate effectively. In addition to Covid-19, there has been significant changes of management staff and a new Internal Auditor was appointed for 2021/22. Whilst there has been some loss of continuity as a result of these changes, the Committee has operated effectively and has contributed to ensuring that the management of risk and assurance has continued.

3.5.2

Specifically, the committee would like to acknowledge the role the previous Head of Finance and Transformation has played in improving governance arrangements and in her role in supporting the Committee throughout the last 2 years.

3.5.3

The work of the Audit and Risk Committee clearly evidences the IJB's commitment to transparency, accountability and effective scrutiny of management. The committee has comprehensively fulfilled its remit in terms of consideration of internal and external audit reports, national performance reports and review of the annual accounts and the internal control environment.

3.5.4

Financial performance for the year ended 31 March 2021 was welcomed. The HSCP underspent against its budget for and was able to repay a significant proportion of its debt to Argyll & Bute Council. It is acknowledged that the year was far from typical, however, it is hoped that this represents a turning point in the financial management of the HSCP. The Committee, its Auditors (and the IJB) do however recognise the significant financial challenges that face the HSCP and the sector more widely. The Committee was extremely pleased with the high level of assurance provided by the External Auditor that accounting and reporting arrangements within the finance teams are robust and appropriate.

3.5.5

Internal Audit

One of the key responsibilities of the Committee is to ensure that agreed management actions made in response to audit recommendations are implemented. The Committee scrutinises this in detail regularly, the on-going covid situation has had an impact upon the ability of the Internal Auditor to fully complete the work programme during the year. Some audits have therefore been carried forward into 2022/23, this was due to the ability of management to facilitate the audit fieldwork as some activity was stood down in December 2021. The table below provides a summary of progress:

Recommendation Grade	New Recommendations made during year	Recommendations completed during year	Outstanding at 31 March 2022
High	3	1	6
Medium	2	2	3

Low			3
VFM			1
Total	5	3	13

3.5.6

External Audit

The External Auditor's report has been considered previously. The report was a positive one and the auditor issued an un-qualified audit opinion in respect of the accounts for 2020/21. The report concluded that:

- The IJB has appropriate and effective financial management arrangements in place and returned an underspend of £1.089 million against a budgeted breakeven outturn.
- The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.
- The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value.

The External Auditor highlighted risks in respect of financial sustainability and the turnover of senior staff. They also made recommendations in respect of performance reporting and re-iterated previous recommendations in respect of the savings programme and workforce planning.

3.5.7

Good progress has been made in respect of the Committee improvement agenda set out through the self-evaluation process, however further work is required in respect of better developing the scrutiny and assurance framework the committee operates within. Further development in respect of Best Value is also required as the HSCP moves into a period of structural change. There is also a requirement to fill the vacant member roles and ensure that members have access to the training and development they require to fulfil their roles effectively. The further development and improvement of the Committee should be considered an important priority for the coming year.

3.5.8

I am pleased to commend the work of the Committee to the IJB and provide assurance, that in my opinion, the Committee has operated effectively throughout the year and has discharged its responsibility with diligence. This opinion is formed on the basis of the totality of evidence considered by the Committee throughout the year. I would also like to acknowledge the role committee members, committee services, officers of the HSCP and auditors have played in facilitating the work of the Committee.

4. RELEVANT DATA AND INDICATORS

4.1 Minutes of Audit & Risk Committee meetings and related papers.

5. CONTRIBUTION TO STRATEGIC PRIORITIES

- 5.1 This document contributes to good governance of the Integration Joint Board and provides assurance to the IJB that the Audit & Risk Committee is operating effectively and in a manner that is consistent with its terms of reference.

6. GOVERNANCE IMPLICATIONS

- 6.1 Financial Impact – The Committee has considered a number of reports relating to the financial sustainability challenges faced by the HSCP. It did however welcome the positive outturn for the year ended 31 March 2021 and the resultant repayment of debt owed by the HSCP. The Committee continued to ensure it was informed of the wider financial context within which the HSCP is operating.
- 6.2 Staff Governance – The Committee continues to scrutinise progress on workforce planning and associated risk.

- 6.3 Clinical Governance – None.

7. PROFESSIONAL ADVISORY

- 7.1 Consideration should be given to this report.

8. EQUALITY AND DIVERSITY IMPLICATIONS

- 8.1 None directly from this report.

9. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE

- 9.1 No issues arising directly from this report.

10. RISK ASSESSMENT

- 10.1 The Committee has commented on a number of occasions on key financial sustainability and workforce planning risks for the IJB. It has also reviewed and scrutinised the Strategic Risk Register and recommended changes in advance of its consideration by the IJB.

11. PUBLIC AND USER INVOLVEMENT AND ENGAGEMENT

- 11.1 The report draws from findings of 2021/22 internal audit and external audit reports. There has been no direct public or service user involvement in respect of the work of the Committee during the year.

12. CONCLUSIONS

- 12.1 The Audit & Risk Committee is asked to consider this report, request that it is updated once the Annual Internal Audit Report is available and amended

for any changes agreed by the Audit & Risk Committee. The report should then be presented to the IJB.

The report concludes that the Audit & Risk Committee has performed its role effectively throughout 2021/22. It recognises the challenges faced by management as a consequence of Covid-19 and the significant change in senior staff. The Committee has operated in line with its terms of reference and has received independent assurance from Internal and External Auditors throughout the year. It has scrutinised, in detail, the reports presented to the committee and has continued to seek to contribute to the development of the governance, assurance and risk framework of the HSCP.

13. DIRECTIONS

Directions required to Council, NHS Board or both.	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

REPORT AUTHOR AND CONTACT

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Appendix 1 – Annual Internal Audit Report (TBC)

Appendix 2 – Annual External Audit Report