



**Annual Accounts**

**Orkney Integration Joint Board**

**2016/2017**

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# Management Commentary

## The Orkney Integration Joint Board's Strategy and Business Model

Orkney Health and Care was formed in 2010 and was responsible for the management of Orkney Islands Council social work and social care services and the NHS Orkney community based health services. Orkney Health and Care was run under joint management arrangements and was accountable to both the Council and NHS Orkney for the effective delivery of these services through the Orkney Health and Care Board. This arrangement ceased with the introduction of Integration Joint Boards.

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. It establishes the framework for the integration of health and social care in Scotland.

The Act requires the Parties to prepare, agree and consult on an integration scheme setting out how this joint working is to be achieved. In Orkney, the Health Board and Local Authority opted to delegate the functions to an Integration Joint Board.

The Integration Joint Board is a legal entity in its own right, created by Parliamentary Order following ministerial approval of an Integration Scheme. The Orkney Integration Joint Board (OIJB) was established as a body corporate by order of Scottish Ministers with effect from 6 February 2016. This can be found at <http://www.legislation.gov.uk/ssi/2016/2/contents/made>.

The integration scheme is a legally binding contract between Orkney Islands Council and NHS Orkney. It sets out the make-up of the Integration Authority and how it will work. This can be found at [http://www.orkney.gov.uk/Files/OHAC/Integration\\_Scheme\\_Accessible\\_Version.pdf](http://www.orkney.gov.uk/Files/OHAC/Integration_Scheme_Accessible_Version.pdf).

Membership of the OIJB comprises voting and non-voting members. The voting members are three Elected Members of the Council and three Non-Executive Directors of the Health Board, although article 3(5) of the Integration Joint Board Order permits otherwise if necessary.

The non-voting members include:

- The Chief Officer of the OIJB.
- The Chief Finance Officer of the OIJB.
- Senior clinicians; a medical representative involved in the delivery of primary care services, a medical representative not involved in the delivery of primary care services and a senior nurse.
- Orkney Islands Council's Chief Social Work Officer.
- A patient/service user representative.
- A carer representative.
- A representative of the third sector.
- A staff representative from each of the Parties.

## **Purpose and Objective**

The main purpose of the OIJB is to plan, resource and oversee the delivery of high quality health and social care services for and with the people of Orkney.

The objective is to improve the health and wellbeing of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time.

The Scottish Government has set out nine national health and wellbeing outcomes to explain what health and social care partners are attempting to achieve through integration, and through working with individuals and local communities. These can be found at: <http://www.gov.scot/Topics/Health/Policy/Health-Social-Care-Integration/National-Health-WellbeingOutcomes>

The OIJB strategic plan has linked its plans to these outcomes and this can be found at: <http://www.orkney.gov.uk/Service-Directory/S/ohac-strategic-commissioning-plan.htm>.

Although the plan that was published was a three year plan, at the time of publication it was agreed that it would be refreshed after one year, recognising that this type of planning was a new way of working in Orkney and as such it would evolve and change, and would need to be updated for the remaining period of the plan.

The refreshed plan does not repeat all aspects of the original plan, particularly the information on the local context, rather it aims to recap the key highlights, provide further information that was not available at the time of writing the original plan, and set out the changes and developments in services the OIJB wishes to see from 2017 to the end of the plan. It will be further refreshed for the final year of the plan in due course. This updated version can be found at: [http://www.orkney.gov.uk/Files/OHAC/IJB/Strategic Commissioning Plan Refresh 2017 2019.pdf](http://www.orkney.gov.uk/Files/OHAC/IJB/Strategic_Commissioning_Plan_Refresh_2017_2019.pdf).

## **The OIJB's Operations for the Year**

During 2016 the health and social care services in Orkney for older people received an independent inspection from the Care Inspectorate and Healthcare Improvement Scotland. The inspection is referred to as the Joint Inspection of Services for Older People and the results were published on 9th March 2017. This can be found at [http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/10-03-2017/I09\\_02\\_App1\\_Inspection\\_Report.pdf](http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/10-03-2017/I09_02_App1_Inspection_Report.pdf).

The inspection report makes a number of recommendations for action, and local services are required to produce an action plan in response, and provide this to the joint inspection team. This report and action plan can be found at [http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/10-03-2017/I09\\_02\\_App2\\_Action\\_Plan.pdf](http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/10-03-2017/I09_02_App2_Action_Plan.pdf).

The financial recommendation within this is that the Partnership should take urgent action to implement a financial recovery plan to ensure that a sustainable financial position is achieved. In the event of being unable to achieve a breakeven position by the year end, the partnership should work with parent bodies to implement an

alternative course of action in line with the provisions contained within the Integration Scheme.

The OIJB has been working over a period of time to implement ways of working that both deliver good outcomes and support the delivery of the nine national health and wellbeing outcomes as illustrated within the previous section, and create efficiencies within the local system.

The Intensive Fostering Service project is now in its third year. This initiative was developed to increase the range and quality of foster care placements in Orkney, ultimately enhancing our provision for Looked After and Accommodated Children. This has not only given a financial saving but delivered good outcomes by retaining children within the county in a familiar setting.

In an attempt to ensure that people are not admitted to hospital, or delayed in a hospital setting unnecessarily, we have been offering alternatives to admission to hospital by piloting a GP led community bed, in a care home setting, and have extended the commissioning of a step up/down community facility delivered by the third Sector.

Work has commenced to look at how services are planned and provided for people who are comparatively high volume users of secondary care health resources. This work is being taken forward through the Orkney GP Cluster and represents a good use of the quality focussed role of the GP Cluster to support the strategic planning responsibilities of the OIJB.

Aligned to these projects is a pilot project to provide or augment social care for service users in their own homes when there is a short term increase in care needs in an unscheduled manner.

All of the above projects are continuing until 31 March 18, where an evaluation will be undertaken to determine longer term planning. These projects have been planned recognising that Orkney has the highest expected growth rate in numbers of older people and, these projects, along with efforts of social work, social care and health staff and services across the whole system, has resulted in good performance against the six indicators that the Scottish Government have ascribed to Integration Authorities to report on. More information on the performance of the OIJB can be found in the 2016/2017 performance report.

## **The OIJB's Financial Position as at 31 March 2017**

The purpose of the Annual Accounts is to demonstrate proper stewardship of the OIJB's financial affairs.

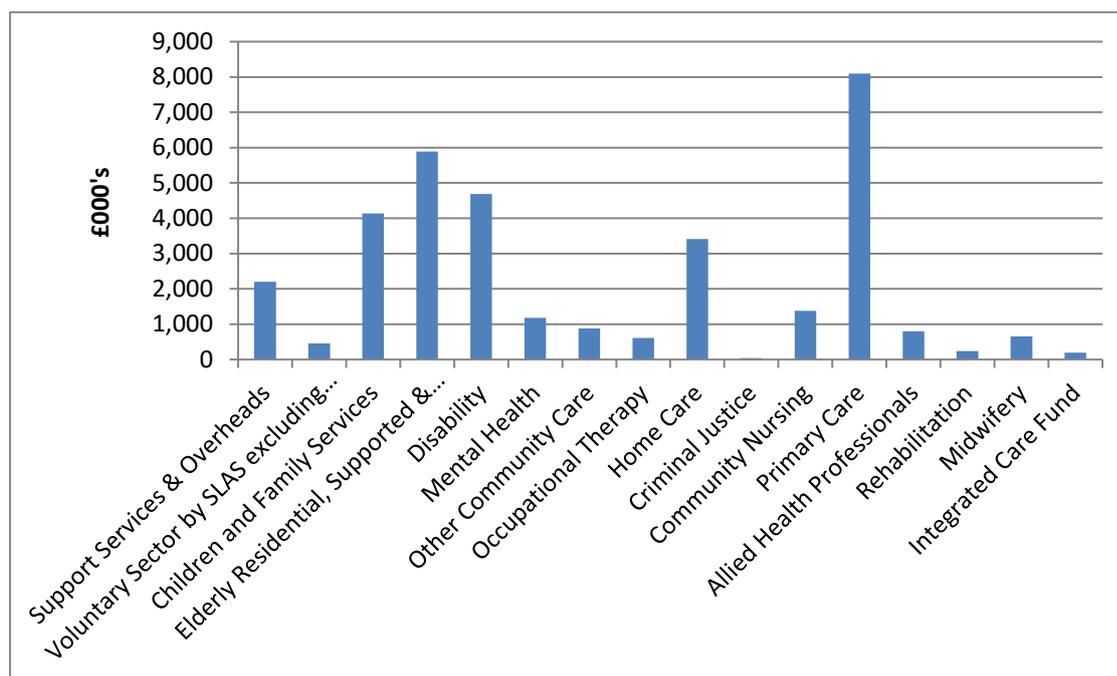
This provides an explanation of the Annual Accounts and of the most significant matters reported in the Accounts, together with a summary of the financial outturn for the period ended 31 March 2017.

The OIJB became fully operational on the 01 April 2016 with all functions delegated at this date.

The commissioned year end spend was as follows:

	<b>Spend</b>	<b>Budget</b>
	<b>£000</b>	<b>£000</b>
<b>Social Care</b>	17,836	17,836
<b>NHS</b>	16,840	16,840
<b>Total</b>	<b>34,676</b>	<b>34,676</b>

The funds that we spent provided:



This was spent as follows:

	<b>Spend</b>	<b>Budget</b>
	<b>£000</b>	<b>£000</b>
Staff Costs	22,603	22,549
Family Health Services (FHS)	3,359	3,359
FHS Non Staff Costs	3,678	3,678
Third Party payments	2,985	3,040
Other	9,048	8,998
Income	(6,997)	(6,948)
<b>Total</b>	<b>34,676</b>	<b>34,676</b>

In relation to the year end position as per the integration scheme, both partners may make additional payments to the Board to offset any overspends.

The OIJB contributed £16.8m to NHS in relation to services commissioned, however the actual year end spend by NHS Orkney was £17.02m. There was no additional funds transferred by the OIJB and this £0.180m costs were met through NHS resources.

At the Finance and Performance Committee of NHS Orkney it stated that any deficit will be carried forward into the baseline budget for the next financial year.

Prescribing was not included within the OIJB budgets for 2016/2017. However it is now included for 2017/2018 onwards.

The main financial pressures reported throughout the year were within:

**Services for People with Complex Disabilities** – There are a number of long term high input (and therefore high cost) packages of care for individuals living in their own tenancies which is becoming increasingly difficult to sustain within the current financial climate.

**Home Care** – The service continues to experience growth in demand/complexity of required packages of care for in-house provided services and for self-directed packages of care. This service provides mainly free personal care to people over the age of 65 as per legislation. A small element is in relation to non personal care and therefore we are limited in improving the financial position by increasing or implementing additional charges.

**Self-Directed Support** - Self-directed support is where service users wish to purchase their care in a different way to traditional services. Geographical constraints mean that this is an ongoing cost pressure due to the inability to reduce the current limited in house service provision and release cash to fund these packages of care.

**Primary Care** - In recent years there has been a significant service pressure within primary care, in regards to unavoidable costs for agency and locum cover.

As functions, strategies and services are reviewed and integrated, it is likely that the current pattern of spend will alter as the OIJB seeks to operate in accordance with the Integration Planning Principles and takes steps, along with the two statutory partners and other sectors, to shift the balance of care from reactive to preventative and early intervention spend.

This was a better out turn than was being forecasted mainly due to a credit being received in the bad debt requirement within Social Services which was an overall credit of £267,098.

## **Financial Outlook**

Demand is rising significantly, as a result of changing demographics, whilst in real terms, available public spending is reducing. Over the next few years the OIJB will require to balance its commissioning decisions to support change alongside a decommissioning strategy that enables NHS Orkney and Orkney Islands Council to deliver year on year efficiencies to sustain priority services.

Demographic pressures are a real challenge in Orkney as persons aged 60 and over make up 29.7% of the population compared to Scotland which is 24.4%.

There has been a baseline increase in regards to Home Care for the sum of £156,000 for 2017/2018 onwards. This will increase the capacity within the service in recognition of the increasing numbers of service users continuing to be cared for in their own homes.

Over the next 5 years the Council will replace two residential care homes for older people. Both new builds will increase the capacity such that there will be 24 additional residential care places by the end of the build programme. This will improve Orkney's care home places for people over 65 to be closer to the Scottish average than the current provision, which is the lowest per head of the population provision in Scotland.

The recent Scottish budget announcement sets out significant revenue reductions for future years. The Council and Health Board only have one year funding agreed, but as a prudent approach we are expecting a 2% cut in Council Funding and a 3% cut in Health Board's future year's allocations. Therefore the OIJB will not be immune to cuts in future funding allocations.

The introduction of the Living Wage and other nationally agreed policies also have a significant impact. We are in a period of political uncertainty such as local and national elections which can have an impact on policy decisions. We also have national uncertainty in regards to Brexit and the potential of another independence referendum. These can affect decisions on policy changes.

## Key Risks and Uncertainties

The risk register was updated and approved on the 28 June 2017 which has 14 risks.

The highest risks are as follows:

- Financial instability, due to the wider economic climate, resulting in failure of OIJB to make big decisions.
- The expectations of the Scottish Government cannot be achieved in an Orkney context.
- The public expectations are high, due to previous models of care, leading to inability to progress debate about realistic care leading to reputational damage.
- Both partners continue with their strategic planning and decision making without recognising the strategic role of the OIJB.
- Inability to fully integrating pathways and using the resources as effectively as possible.
- Workforce planning within partner organisations does not align with OIJB's vision.
- Funding is not based on long term basis resulting in outcomes and targets not being delivered.

The risk register which also identifies the reductions and Responsible Officers can be accessed at [http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/28-06-2017/I06\\_IJB\\_Risk\\_Register.pdf](http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/28-06-2017/I06_IJB_Risk_Register.pdf)

As a very small area, with a hospital that cannot be further reduced in size, and a demographic profile and geography that presents some of the biggest challenges in Scotland in terms of increasing number of older age, older people, we have very limited scope to make significant resource shifts from hospital to other forms of care.

We have also been working in partnership between the Council and NHS for a number of years and have already made a great deal of the changes and shifts that are available. The task at hand therefore presents a significant challenge.

It is reassuring that three of the previous voting members will remain on the Board of the OIJB which will retain skills and experience gained within the first year of operation.

## Conclusion

The OIJB faces many challenges in regards to ensuring that the aims to “help the people of Orkney live longer, healthier and more independent lives within their own homes and communities wherever possible.”

We have an established reputation for good joint working between Orkney Islands Council and NHS Orkney, as well as our wider community planning partners and therefore have a strong foundation to build on to address the challenges that the future brings.

## **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement on page 22 shows the cost in the period of providing services in accordance with generally accepted accounting practices.

## **Movement in Reserves Statement**

The Movement in Reserves Statement on page 23 shows the different reserves held by the Board.

**Caroline Sinclair**  
**Chief Officer**  
**27 September 2017**

**Rachael King**  
**Vice Chair**  
**27 September 2017**

**Pat Robinson**  
**Chief Finance Officer**  
**27 September 2017**

## **Statement of Responsibilities**

### **The Orkney Integration Joint Board's Responsibilities**

The OIJB is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- To approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit Committee on 27 September 2017.

Signed on behalf of the Orkney Integration Joint Board.

**Rachael King**

**Vice Chair**

**27 September 2017**

## **Responsibilities of the Chief Finance Officer**

The Chief Finance Officer is responsible for the preparation of the OIJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the local authority Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Orkney Integration Joint Board as at 31 March 2017 and the transactions for the year then ended.

**Pat Robinson**

**Chief Finance Officer**

**27 September 2017**

## Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No.2014/200) require local authorities and IJB's in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

### Senior Officers

#### Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the OIJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the OIJB.

The Chief Officer is appointed by the OIJB in consultation with NHS Orkney and Orkney Islands Council. The Chief Officer is employed by Orkney Islands Council and seconded to the OIJB. The Chief Finance Officer is appointed by the OIJB and is employed by Orkney Islands Council and seconded to the OIJB.

The remuneration of the Chief Officer and Chief Finance Officer is set by the OIJB.

Name	Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £
Caroline Sinclair, Chief Officer	88,067	0	88,067
Pat Robinson, Chief Finance Officer	20,571	0	20,571

Note: The Chief Finance Officer is only 0.5 FTE.

#### Remuneration: IJB Chair and Vice Chair

The voting members of the OIJB are appointed through nomination by Orkney Islands Council and NHS Orkney. Nomination of the OIJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

The OIJB does not provide any additional remuneration to the Chair, Vice Chair or any other Board Members relating to their role on the OIJB. The OIJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner.

The OIJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting OIJB members. Therefore no pension rights disclosures are provided for the Chair or Vice Chair.

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the OIJB balance sheet for the Chief Officer or any other officers.

The OIJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the OIJB. The following table shows the OIJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Name	Accrued pension benefits as at 31 March 2017		Change in accrued pension benefits since 31 March 2016		Pension contributions made during 2016-2017
	Pension £	Lump Sum £	Pension £	Lump Sum £	
Caroline Sinclair, Chief Officer	23,705	34,033	2,524	1,253	17,437
Pat Robinson, Chief Finance Officer	424	0	424	0	4,073

### Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year £50,000 or above, in bands of £5,000.

Number of Employees in Band 2015/2016	Remuneration Band	Number of Employees in Band 2016/2017
1	£85,000 - £89,999	1

**Caroline Sinclair**  
**Chief Officer**  
**27 September 2017**

**Rachael King**  
**Vice Chair**  
**27 September 2017**

# **Independent Auditor's Report**

## **Independent auditor's report to the members of Orkney Integration Joint Board and the Accounts Commission for Scotland.**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of Orkney Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Orkney Integration Joint Board as at 31 March 2017 and of its income and expenditure on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Orkney Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Orkney Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **Other information in the annual accounts**

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

**Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Gillian Woolman MA FCA CPFA  
Assistant Director  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DH

27 September 2017

# Annual Governance Statement

## Introduction

The Annual Governance Statement explains the OIJB's governance arrangements and reports on the effectiveness of the OIJB's system of internal control.

## Scope of Responsibility

The OIJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the OIJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the OIJB's policies, aims and objectives. Reliance is also placed on the NHS Orkney and Orkney Islands Council's systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the OIJB.

The system can only provide reasonable and not absolute assurance of effectiveness.

## The Governance Framework and Internal Control System

The Board of the OIJB comprises voting members, nominated by either Orkney Islands Council or NHS Orkney as well as non-voting members including a Chief Officer appointed by the Board.

In accordance with The Public Bodies (Joint Working) (Scotland) Act 2014, the OIJB has a legal personality distinct from the Parties, and the consequent authority to manage itself to:

- Prepare and implement a Strategic Commissioning Plan in relation to the provision of health and social care services in accordance with the Act.
- Oversee the delivery of services delegated by the Parties in pursuance of the Strategic Commissioning Plan.
- Allocate and manage the delegated budget in accordance with the Strategic Plan.

There is no role for either Party to independently sanction or veto decisions of the OIJB. However, the Act provides the Health Board and the Local Authority, acting jointly, to require the OIJB to replace its Strategic Commissioning Plan in certain circumstances given the Parties are jointly accountable for the delivery of improvements in health and wellbeing, people's experience of services and achieving sustainable and affordable services for Orkney in the long term.

The functions that are delegated to the OIJB by NHS Orkney and Orkney Islands Council are set out in the Integration Scheme which can be found at [http://www.orkney.gov.uk/Files/OHAC/Integration\\_Scheme\\_Accessible\\_Version.pdf](http://www.orkney.gov.uk/Files/OHAC/Integration_Scheme_Accessible_Version.pdf).

In exercising its functions, the OIJB must take into account the Parties' requirements to meet their respective statutory obligations. Apart from those functions delegated

by virtue of the Integration Scheme, the Parties retain their distinct statutory responsibilities and formal decision making roles.

The OIJB strategic plan for 2016/19 has linked its plans to the 9 outcomes and this can be found at: <http://www.orkney.gov.uk/Service-Directory/S/ohac-strategic-commissioning-plan.htm>.

A due diligence was prepared to consider the sufficiency of the budget provided for the Partnership by the Health Board and Council and submitted to the OIJB on 29 June 2016. This document illustrated spending for the previous three years and initial budget for 2016/17. This can be found at [http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/2016/29-06-2016/I09\\_07\\_App1\\_Financial\\_Assurance.pdf](http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/2016/29-06-2016/I09_07_App1_Financial_Assurance.pdf).

The committees and all approved governance supporting the OIJB can be found at <http://www.orkney.gov.uk/Service-Directory/S/integration-joint-board.htm>

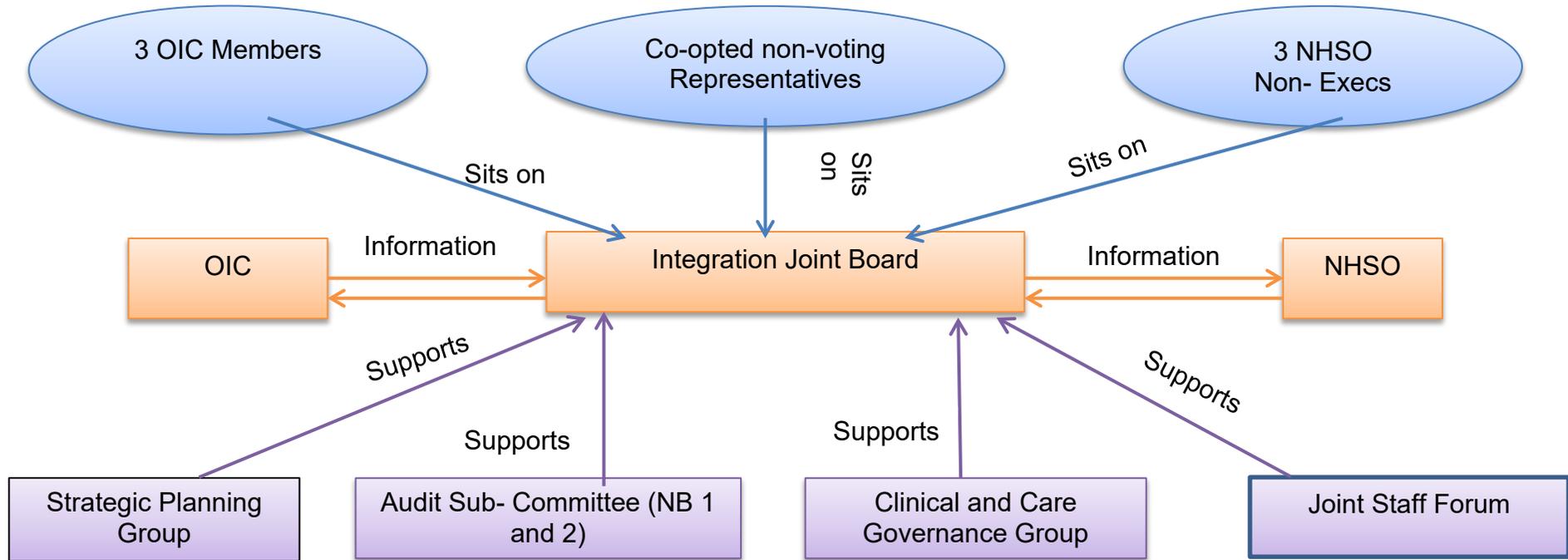
In regards to the insurance/indemnity cover the OIJB joined the Clinical Negligence and Other Risks Scheme (CNORIS) which became effective on 01 April 2016.

### **Structure and Management of the Orkney Integration Joint Board**

The membership of the OIJB is largely prescribed by the Scottish Government in terms of numbers and the organisation that they represent. The structure and membership can be found at:

[http://www.orkney.gov.uk/Files/OHAC/IJB/IJB\\_Structure\\_and\\_Membership\\_of\\_Groups.pdf](http://www.orkney.gov.uk/Files/OHAC/IJB/IJB_Structure_and_Membership_of_Groups.pdf)

**OIJB – Elected Members Scrutiny Framework**



**Notes:**

NB1) OIC has in house internal audit. Scott Moncrieff provides internal audit services to NHSO.

NB2) The Council's internal audit service provides the services to the IJB.

**External Scrutiny of IJB**

- Care Inspectorate
- Health Improvement Scotland
- Accounts Commission
- Auditor General for Scotland
- Scottish Ministers

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2016/17 this included the following:

The OIJB complies with “The Role of the Head of Internal Audit in Public Organisations” and operates in accordance with “Public Sector Internal Audit Standards.” The Head of Internal Audit reports directly to the Orkney Integration Joint Board Audit Committee with the right of access to the Chief Finance Officer, Chief Officer and Chair of the OIJB’s Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the OIJB Audit Committee.

## **Review of Adequacy and Effectiveness**

The OIJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Senior Management Team who have responsibility for development and maintenance of the governance environment, the annual report by the Chief Internal Auditor.

The Chief Internal Auditor will report directly to the OIJB Audit Committee on all audit matters, with the right of access to the Chief Officer, Chief Finance Officer and Chair of the Audit Committee on any matter. In accordance with the principles of the code of corporate governance, regular reports will be made to the OIJB’s Audit Committee.

## **Audit**

An audit committee was approved by the Board on the 29 June 2016.

The Council’s Chief Internal Auditor was appointed by the OIJB on 29 June 2016. It was approved on 10 March 2017 that these arrangements would continue for the next two financial years, so as to provide consistency. The OIJB audit requirements will be accommodated within the contingency allocation available within the overall Council and Health Board’s existing audit plans.

The Internal Audit Annual Report and Assurance Statement was submitted to the Audit Committee on 05<sup>th</sup> September 2017. The report can be found at – <http://www.orkney.gov.uk/Council/C/orkney-integration-joint-board-audit-committee-5-september-2017.htm>

The audit work has confirmed that, for the areas subject to audit review during 2016/17 there are adequate and effective controls operating.

The Chief Finance Officer has also implemented good management practices towards budgetary control and management of the partnership budget.

Whilst Internal Audit has confirmed during 2016/17 that good governance arrangements have been established, it shall take time for these to be fully embedded. The governance arrangements in place should continue to be monitored taking into account any further guidance from the Scottish Government, or

benchmarking information that is obtained from other IJB's. This would allow the opportunity to continue to enhance and strengthen governance, risk management and internal controls, and ensure that these arrangements remain fit for purpose.

It has been highlighted that where there is a forecast overspend on the OIJB budget, the cause of the overspend should be identified and a recovery plan prepared.

## **Training**

There have been various workshops and seminars delivered throughout the year which is as follows:

Localities Group Session.	01/07/16
Risk Management Workshop with Scott-Moncrieff.	08/11/16
Joint Budget Seminar.	05/12/16
Strategic Commissioning Plan Workshop.	09/01/17
Follow up Risk Management Workshop with Scott-Moncrieff.	17/02/17

There was also an OIJB induction session on 13 June 2017 which gave the new OIJB members an introduction to the OIJB, its remit, and their role as OIJB Board Members.

The seminar in regards to the refreshed Strategic Commissioning Plan was delivered on 27 June 2017.

## **Board Meetings**

Board meetings are held on a quarterly basis which is in March, June, September and December.

## **Working Groups**

A Finance and Performance Officer Working Group meets on a quarterly basis to give assurances that Service Managers are kept updated with the overall financial position of the OIJB and that measures are in place to ensure that performance can be captured.

The Strategic Planning group meets at least quarterly and it will be concerned primarily with supporting and informing the development process for the Partnership's Strategic Commissioning Plan, together with ongoing iterative review and will provide stakeholder advice to the OIJB.

The Clinical and Care Governance Group meets at least quarterly and fulfils the function of providing the OIJB with assurance that robust clinical and care governance controls and management systems are in place and effective for the services that NHS and Orkney Islands Council have delegated to it.

## **Risk Management**

The Risk Management Strategy forms part of the wider framework for corporate governance and internal control within the OIJB. The OIJB will broadly face two types of risks: those which it relates to its operation as a separate legal entity; and risks to the quality of service delivery which are experienced by commissioned services. For the latter risks it will depend to a large extent on these risks being identified, assessed and treated by the parent organisations for commissioned services (mainly Orkney Islands Council and NHS Orkney). The initial risk framework and risk management strategy was approved by the OIJB on 21 March 2016. There has been risk management strategy workshops delivered by Scott Moncrieff on 08 November 2016 and a follow up on 02 February 2017. This updated register was submitted to the IJB on 28 June 2017. This can be found at [http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/28-06-2017/I06\\_IJB\\_Risk\\_Register.pdf](http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/IJB2017/28-06-2017/I06_IJB_Risk_Register.pdf)

## **Conclusion and Opinion on Assurance**

While recognising that improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the OIJB's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the OIJB's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.

**Rachael King**

Vice Chair

27 September 2017

**Caroline Sinclair**

Chief Officer

27 September 2017

## Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments this is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/2016				2016/2017		
Expenditure	Income	Net		Expenditure	Income	Net
£000	£000	£000		£000	£000	£000
0	0	0	Health Care	16,754	0	16,754
0	0	0	Social Care	17,751	0	17,751
25	0	25	Corporate Services (note 2)	171	0	171
<b>25</b>	<b>0</b>	<b>25</b>	<b>Cost of Services</b>	<b>34,676</b>	<b>0</b>	<b>34,676</b>
	(25)	(25)	Taxation and Non-Specific Grant Income (note 3)		(34,676)	(34,676)
<b>25</b>	<b>(25)</b>	<b>0</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>34,676</b>	<b>(34,676)</b>	<b>0</b>
		<b>0</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>0</b>

The OIJB was established on 06 February 2017. Integrated delivery of health and care services did not commence until 01 April 2017. Consequently the 2016/17 financial year is the first fully operational financial year for the OIJB and the figures above reflect this.

There are no statutory or presentation adjustments which affect the OIJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently an Expenditure and Funding Analysis is not provided in these annual accounts.

## Movement in Reserves Statement

This statement shows the movement in the year on the OIJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

<b>Movements in Reserves During 2016 / 2017</b>	<b>General Fund Balance</b>	<b>Unusable Reserves: Employee Statutory Adjustment Account</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Comprehensive Income and Expenditure	0	0	0
Adjustments between accounting basis and funding basis under regulations(*)			
Increase or Decrease in 2015 / 2016	0	0	0
<b>Closing Balance at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Movements in Reserves During 2015 / 2016</b>	<b>General Fund Balance</b>	<b>Unusable Reserves: Employee Statutory Adjustment Account</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening Balance at 31 March 2015</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Comprehensive Income and Expenditure	0	0	0
Adjustments between accounting basis and funding basis under regulations (*)			
Increase or Decrease in 2015 / 2016	0	0	0
<b>Closing Balance at 31 March 2016</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* The only adjustment, in both years, between the accounting basis and funding basis under regulations is the deferral of charge to the General Fund for the Chief Officer's absence entitlement as at 31 March. This relates to any absence entitlement which has been earned but not yet taken as at 31 March. The General

Fund is only charged for this when the leave is taken, normally during the next financial year.

## Balance Sheet

The Balance Sheet shows the value of the OIJB's assets and liabilities as at the balance sheet date. The net assets of the OIJB (assets less liabilities) are matched by the reserves held by the OIJB.

<b>2015/2016</b>		<b>Notes</b>	<b>2016/2017</b>
<b>£000</b>			<b>£000</b>
5	Short term Debtors	<b>4</b>	12
	<b>Current Assets</b>		
5	Short-term Creditors	<b>5</b>	12
	<b>Current Liabilities</b>		
0	Provisions		0
	<b>Long-term Liabilities</b>		
<b>0</b>	<b>Net Assets</b>		<b>0</b>
0	Usable Reserve: General Fund		0
0	Unusable Reserve: Employee Statutory Adjustment Account	<b>7</b>	0
<b>0</b>	<b>Total Reserves</b>		<b>0</b>

Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves includes reserves relating to statutory adjustments as shown in the Movement in Reserves Statement.

The unaudited accounts were issued on 28 June 2017 and the audited annual accounts were authorised for issue on 27 September 2017.

**Pat Robinson.**

**Chief Finance Officer.**

**27 September 2017.**

# Notes to the Core Financial Statements

## Note 1 Summary of Significant Accounting Policies

The Annual Accounts for the year ended 31 March 2016 have been prepared in accordance with proper accounting practice as per Section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the Local Government Scotland Act 1973. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the OIJB and comparative figures for the previous financial year will be provided after the inception year. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

- **Accruals basis** - the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received.
- **Going concern** - the going concern concept assumes that the OIJB will continue in existence for the foreseeable future.
- **Understandability** – users of the financial statements are assumed to have a reasonable knowledge of accounting and local government.
- **Relevance** – the information in the financial statements is useful for assessing the OIJB's stewardship of public funds and for making economic decisions.
- **Materiality** - information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information.
- **Reliability** – information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared.
- **Primacy of legislative requirements** - legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

The Accounts have been prepared under the historic cost convention.

### Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the provision of services is recognised when the OIJB can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the OIJB.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including those rendered by the OIJB's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **VAT status**

The OIJB is a non-taxable person and does not charge or recover VAT on its functions.

HMRC have confirmed in writing that there is no VAT registration requirement for the OIJB under the VAT Act 1994. This is on the basis that the OIJB is not delivering any supplies that fall within the scope of VAT and as there is no consideration received by the OIJB for the production of the plan this will not alter the VAT registration position.

The VAT treatment of expenditure in the IJB's accounts depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where the Council is the provider, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue and Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as Income from the Commissioning IJB.

### **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are made where an event has taken place that gives the OIJB a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Income and Expenditure Statement in the year that the OIJB becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the

relevant service if it is virtually certain that reimbursement will be received if the OIJB settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **Events after the Balance Sheet date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statements are authorised for issue. There are two types of events:

- **Adjusting events** – those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events.
- **Non-adjusting events** – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

### **Reserves**

The OIJB's reserves are classified as either Usable or Unusable Reserves.

The OIJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the OIJB can use in later years to support service provision.

The OIJB's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation. It defers the charge to the General Fund for the Chief Officer's absence entitlement as at 31 March, for example any annual leave earned but not yet taken. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

## **Service Expenditure Analysis and Segment Reporting**

The Comprehensive Income and Expenditure Statement is presented in accordance with the CIPFA Service Reporting Code of Practice, and the analysis of service income and expenditure is based on this Code. However, decisions taken about resource allocation are taken by the Board on the basis of financial information analysed across services.

### **Employee Benefits**

The OIJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The OIJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken.

Charges from funding partners for other staff are treated as administration costs.

### **Post-employment benefits**

The Board does not participate in a formal pension scheme. The Chief Officer of the Board participates in the Local Government Pension Scheme which is managed by the Council who makes the relevant contributions.

### **Funding**

The OIJB is primarily funded through funding contributions from the statutory funding partners, Orkney Islands Council and NHS Orkney. Expenditure is incurred as the OIJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Orkney.

### **Cash and Cash Equivalents**

The OIJB does not operate a bank account or hold cash. Transactions are settled on behalf of the OIJB by the funding partners. Consequently the OIJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the OIJB's Balance Sheet.

### **Indemnity Insurance**

The OIJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Orkney and Orkney Islands Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the OIJB does not have any 'shared risk' exposure from participation in CNORIS. The OIJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the OIJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

## Note 2 Corporate Services

The corporate services costs are as follows;

	<b>31 March 2017</b>
	<b>£000</b>
Staff Costs	144
Other Costs	7
Audit Fees	17
CNORIS Insurance	3
<b>Total</b>	<b>171</b>

## Note 3 Taxation and Non-Specific Grant Income

<b>31 March 2016</b>		<b>31 March 2017</b>
<b>£000</b>		<b>£000</b>
0	Funding contribution from Orkney Islands Council	17,836
0	Funding contribution from NHS Orkney	16,840
<b>0</b>	<b>Taxation and Non-specific Grant Income</b>	<b>34,676</b>

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

## Note 4 Debtors

<b>31 March 2016</b>		<b>31 March 2017</b>
<b>£000</b>		<b>£000</b>
2	NHS Orkney	6
3	Orkney Islands Council	6
<b>5</b>	<b>Total</b>	<b>12</b>

## Note 5 Creditors

31 March 2016		31 March 2017
£000		£000
2	NHS Orkney	6
3	Orkney Islands Council	6
<b>5</b>	<b>Total</b>	<b>12</b>

## Note 6 External Audit Costs

Audit Scotland is the appointed external auditor for the 2016/2017 audit. The fee is £17,470. This fee covers the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees.

## Note 7 Unusable Reserve: Employee Statutory Adjustment Account

The balance on the Employee Statutory Adjustment Account reflects any absence entitlement on the part of the Chief Officer which has been earned but not yet taken as at 31 March. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

## Note 8 Related Party Transactions

The OIJB has related party relationships with the NHS Orkney and Orkney Islands Council. In particular the nature of the partnership means that the OIJB may influence, and be influenced by, its partners. The following transactions and balances included in the OIJB's accounts are presented to provide additional information on the relationships.

### Transactions with NHS Orkney

2015/2016		2016/2017
£000		£000
2	Funding contributions received from NHS Orkney	16,840
<b>2</b>	<b>Net Transaction with NHS Orkney</b>	<b>16,840</b>

### Transactions with Orkney Islands Council

2015/2016		2016/2017
£000		£000
23	Funding contributions received from the Council	17,836
<b>23</b>	<b>Net Transactions with Orkney Islands Council</b>	<b>17,836</b>