



Stephen Brown (Chief Officer)
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Agenda Item: 3.

IJB Performance and Audit Committee

Thursday, 25 September 2025 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Minute

Present

- Rona Gold, Non-Executive Director, NHS Orkney (via Microsoft Teams).
- Councillor Lindsay Hall, Orkney Islands Council.
- Councillor Jean Stevenson, Orkney Islands Council.
- Sam Thomas, Director of Nursing, Midwifery, AHPs and Chief Officer Acute, NHS Orkney (via Microsoft Teams).

Clerk

- Sandra Craigie, Committees Officer, Orkney Islands Council.

In Attendance

Orkney Health and Social Care Partnership:

- Stephen Brown, Chief Officer, Integration Joint Board (via Microsoft Teams).
- Lynda Bradford, Head of Health and Community Care.
- John Daniels, Head of Primary Care Services.
- Deborah Langan, Chief Finance Officer.
- Darren Morrow, Head of Children, Families and Justice Services and Chief Social Work Officer (via Microsoft Teams).
- Shaun Hourston-Wells, Policy and Performance Manager.

Orkney Islands Council:

- Karen Bevilacqua, Service Manager (Legal Services).
- Andrew Paterson, Chief Internal Auditor.

NHS Orkney:

- Melanie Barnes, Interim Director of Finance (via Microsoft Teams).

KPMG:

- Michael Wilkie, Public Sector Audit Partner (via Microsoft Teams).
- Taimoor Alam, Public Sector Manager (via Microsoft Teams).

Observing

- Kirsty Groundwater, Communications Team Leader, Orkney Islands Council.

Chair

- Councillor Lindsay Hall, Orkney Islands Council.

1. Apologies

Apologies for absence had been intimated on behalf of Issy Grieve, Morven Gemmill and Erik Knight.

2. Declarations of Interest

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

3. Minute of Previous Meeting

There had been previously circulated the draft Minute of the Meeting of the Performance and Audit Committee held on 18 June 2025 for consideration, checking for accuracy and approval.

The Minute was **approved** as a true record, on the motion of Councillor Jean Stevenson, seconded by Councillor Lindsay Hall.

4. Matters Arising

There had been previously circulated the Matters Arising Log from the meeting held on 18 June 2025, for consideration and to enable the Committee to seek assurance on progress, actions due and to consider corrective action, where required.

Stephen Brown advised members that, at the previous meeting of the Integration Joint Board, there had been a full discussion regarding the risk register. It had also been noted that there was a discussion needed regarding financial reports and how the Performance and Audit Committee could potentially be utilised to look at the financial position before being presented to the full Integration Joint Board. He confirmed that a meeting had been arranged between the Chair, the Chief Finance Officer and himself to discuss the best way forward.

The Performance and Audit Committee thereafter scrutinised the Log and took assurance.

5. Annual Audit Report

There had been previously circulated a report presenting the External Auditor's Annual Audit Report to those charged with governance of the Orkney Integration Joint Board's Annual Accounts, for scrutiny.

Following a query from the Chair, Michael Wilkie, Public Sector Audit Partner, KPMG, confirmed that he considered the report could be taken as presented with a verbal update on the one substantive outstanding matter, which he confirmed was now complete and therefore could facilitate the Performance and Audit Committee scrutinising the report and thereafter approving the accounts.

He continued that the one substantive outstanding matter had been in respect of samples relating to management override of controls testing which was now complete and confirmed that there were no further matters arising from the audit.

Following a further query from the Chair, Michael Wilkie gave assurance that an updated version of the report would be provided.

Michael Wilkie thereafter went on to present the report confirming:

- That the report summarised the conclusions of audit work undertaken by KPMG. The testing was based on a set of materiality levels which was a key component of the approach to planning and risk assessment.
- That a materiality level of £2.2 million or 2.7% for the IJB's financial statements had been used which was largely consistent with the prior year.

He continued that two potentially significant risk areas were presumed to exist in any audit and were not specific to the Integration Joint Board. The first risk was that management were in a unique position to be able to commit fraud by overriding controls. He confirmed that KPMG had concluded that no instance had been identified. The second presumed risk was that management were able to manipulate when income or expenditure was recognised in order to deliver a particular outcome for the year. He confirmed that he had rebutted that risk and did not consider there was a significant risk for the Integration Joint Board. He continued that KPMG did consider various aspects of income and expenditure as part of their testing and confirmed that there were no outstanding matters arising.

He confirmed that there were no unadjusted audit misstatements and the report summarised a number of mainly presentational adjustments that had been agreed with officers as KPMG completed their audit work. This had been reflected in the financial statements presented, a summary of the conclusions in respect of the wider scope of public audit and an update on the audit recommendations arising from the prior year.

Following a query from Councillor Jean Stevenson regarding references to weakness in governance frameworks, Michael Wilkie confirmed that there were a number of recommendations regarding the timeliness of preparation of reports and scrutiny of them by Committee. He confirmed that, in a number of cases, the reason that had been given by officers were a combination of timetabling of committee meetings, as well as vacancies within the organisation at a senior level. He confirmed that, while KPMG had made the recommendations, he was not highlighting anything that prevented him from issuing an unqualified audit opinion.

The Chair queried whether the Performance and Audit Committee was in a position to fully scrutinise the report and approve the recommendations.

Michael Wilkie confirmed that the report was always presented as a draft report at this stage. He appreciated that there were red items highlighted as outstanding at the time of the report's preparation. He continued that he would be content to confirm that the substantive item in respect of the significant risk was now concluded and there was no matter arising from it. He further confirmed that there was nothing substantive in the report that would change between the draft presented and the final version.

The Performance and Audit Committee thereafter scrutinised:

5.1. The Annual Audit Report prepared for members of the Performance and Audit Committee and the Controller of Audit in respect of the Orkney Integration Joint Board's Annual Accounts for the year ended 31 March 2025, attached as Appendix 2 to the report circulated.

The Performance and Audit Committee **resolved**:

5.2. That the Orkney Integration Joint Board's Letter of Representation to KPMG in connection with its audit of the Annual Accounts for the year ended 31 March 2025, attached as Appendix 1 to the report circulated, be approved.

6. Annual Accounts

There had been previously circulated a report presenting the final Annual Accounts for financial year 2024/25, for consideration and approval.

Deborah Langan highlighted the following:

- A requirement for each Integration Joint Board to prepare an annual set of accounts which were to be publicised by 30 June each year.
- The accounts were then subject to an external audit verification process which concluded with an independent opinion being expressed on the accuracy and/or quality of the financial statements themselves.
- The draft Annual Governance Statement and accounts had been submitted to the Performance and Audit Committee on 18 June 2025, for scrutiny.
- The accounts had been prepared in accordance with proper accounting practice.
- The Management Commentary, comprising pages 3 to 18 of the Annual Accounts, which provided an overview of the most significant matters reported in the Annual Accounts, summarised as follows:
 - The Orkney Integration Joint Board recorded a total spend of £77.01 million against a budget of £73.1 million, resulting in an overspend of £3.91 million. After receiving additional funding from NHS Orkney and Orkney Islands Council and using reserves, the final position showed a surplus of £571k.
 - Workforce shortages led to high agency and locum costs, especially in social care and medical staffing. Additional overspends were driven by external foster placements, rising prescribing costs, unfunded disability services, and increased demand for Care at Home services.
 - NHS Orkney's Set Aside budget increased from £8.639 million to £12.028 million during the year, driven by pay uplifts, locum staffing, unscheduled care and other cost pressures, including rising drug prices.

- The Orkney Integration Joint Board's baseline budget for 2025/26 was £74.412 million, with savings targets of £2.4 million over five years for NHS Orkney services and £170k for Orkney Islands Council services.
- A Financial Recovery Plan was required to ensure spending aligned with available funding. The Orkney Integration Joint Board must plan for long-term transformation to sustain services amid rising demand, rural delivery challenges and demographic pressures.
- The Annual Governance Statement on pages 21 to 27, with the core financial statements on page 29.
- The Comprehensive Income and Expenditure Statement on page 36, which confirmed a surplus of £571k, with the Balance Sheet on page 37 reflecting earmarked reserves of £3.286 million.
- The following amendments which would be made prior to the signing of the Annual Accounts:
 - The second table on the renumeration report on page 22, the totals required to be updated.
 - On page 32, the word "draft" prior to Independent Auditor's Report would be removed. Some of the paragraphs on that page would also be formatted.
 - On Page 37 the brackets around the word Surplus would be removed in the table relating to Movement in Reserves Statement.

Rona Gold commented that, when working with one year funding, it was quite a short timescale to implement any recommendations effectively and queried whether, in future, there was any opportunity for the timing of this report to come any earlier within the process. Deborah Langan confirmed that the draft Annual Accounts were presented to Committee in June which was reflective of the fact that the external auditors also conducted their audit in July and August. Any changes to the draft Annual Accounts were then incorporated ready for submission and approval in September.

Regarding the recommendations raised by KPMG, Stephen Brown gave assurance that as KPMG provided officers with highlights of the management commentary in early summer and it was then that implementation of the recommendations began, rather than waiting for when the report was presented and approved.

The Performance and Audit Committee thereafter **resolved** that the Annual Accounts for financial year 2024/25, including the Annual Governance Statement, attached as Appendix 1 to the report circulated, be approved.

7. Strategic Plan Priorities – Progress Report

There had been previously circulated a report presenting the regular update on progress made against three of the six Strategic Priorities, Associated Milestones and Actions, for scrutiny.

Shaun Hourston-Wells informed members:

- That the new Strategic Plan and Strategic Plan Delivery Plan had been approved by the Integration Joint Board on 30 April 2025.

- That the Strategic Plan Delivery Plan articulated specific outcomes, or Milestones, relating to each Strategic Priority and detailed how the respective Milestones would be measured.
- That, where appropriate, a delivery timeframe was specified for a given outcome.
- That it was proposed that the same format for the tracker would be used.
- That an update on three of the six Strategic Priorities was provided at each meeting of the Performance and Audit Committee, which would ensure that an update was provided, biannually, in respect of each Strategic Priority.
- That the three Strategic Priorities for this reporting period were:
 - Community Led Support.
 - Early Intervention and Prevention.
 - Tackling Inequalities and Disadvantage.
- That, whilst there were no risk implications directly associated with the report, there was the risk that failure to progress the actions could result in the inability to deliver the Strategic Priorities identified in the Strategic Plan 2025-2028.
- That, should the Delivery Tracker identify the possibility that any of the actions would not be completed, or were falling behind schedule, the service would address the relevant issue, with the Delivery Tracker reporting progress to the Committee.

Following a query from Councillor Jean Stevenson regarding measuring outcomes from the promoting healthy lifestyles in schools initiative, Darren Morrow advised that the initiative was a school nurse-led programme and was underway. He continued that measuring outcomes for nutrition and mental health were already underway, but more work was needed on how best to capture measurement tools for physical activity.

Following a further query regarding the neurodevelopmental pathways and recruitment of the coordinator, Stephen Brown confirmed that the job description was still being worked on, but it was likely that the role would be administrative in nature rather than practitioner led.

Regarding a query from Rona Gold in relation to the coding of amber under the Community Led Support section, Shaun Hourston-Wells confirmed that he felt it was appropriate to mark it as amber rather than green on this occasion. He confirmed that there was nothing at this stage that necessarily made him think it would not be achieved by March 2026, but he was aware that more work was needed to ensure that it got over the line within the deadline.

Referring to accessing breakfast under the Tackling Inequalities and Disadvantage priority, Sam Thomas sought assurance that this initiative had commenced for the primary schools referred to. Stephen Brown confirmed that this initiative had begun and had been implemented in a few schools.

Regarding a further query from Sam Thomas regarding the health checks for those with learning disabilities, Lynda Bradford confirmed that the health checks were underway and the exact data would appear in the forthcoming mental health assurance report in the coming week.

Regarding school breakfast provision, the Chair queried whether staffing issues within the Education Service had resulted in this being handed over to the Integration Joint Board. Stephen Brown confirmed that this had not been handed over but confirmed that the Integration Joint Board was keen to assist in whatever way it could in terms of supporting Education colleagues to deliver this initiative. He confirmed that there had been concern that, if they were looking to establish full breakfast clubs, that would require staffing to be available to monitor young people as they came and went but confirmed that it had been managed in a very creative way to ensure that food, such as hot rolls or toast, was available with the young people eating in the playground or on their way to their first class.

The Performance and Audit Committee thereafter scrutinised progress made against the three Strategic Priorities, as outlined at section 4.3 and detailed in the Strategic Plan Delivery Tracker, attached as Appendix 1 to the report circulated, and obtained assurance that those Priorities were being progressed and delivered.

8. Date and Time of Next Meeting

The Committee noted that the next meeting would be held on Wednesday, 2 December 2025.

The Performance and Audit Committee thereafter **resolved** that the following meeting dates for 2026 be approved:

- 18 March 2026.
- 24 June 2026.
- 23 September 2026.
- 9 December 2026.

9. Conclusion of Meeting

There being no further business, the Chair declared the meeting concluded at 14:43.