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## **IJB Performance and Audit Committee**

Wednesday, 28 September 2022, 09:30.

Microsoft Teams.

### **Minute**

#### **Present**

- Jim Lyon, Interim Chief Social Work Officer, Orkney Islands Council.
- Meghan McEwen, Non-Executive Director, NHS Orkney.
- Councillor Jean E Stevenson, Orkney Islands Council.
- Councillor Ivan A Taylor, Orkney Islands Council.
- Frances Troup, Head of Community Learning, Leisure and Housing, Orkney Islands Council.

#### **Also Present**

- Issy Grieve, Non-Executive Director, NHS Orkney (Chair of the IJB), who had been invited for Items 4 and 5.

#### **Clerk**

- Sandra Craigie, Committees Officer, Orkney Islands Council.

### **In Attendance**

#### **Orkney Health and Social Care Partnership:**

- Stephen Brown, Chief Officer.
- Maureen Swannie, Head of Strategic Planning and Performance.
- Pat Robinson, Chief Finance Officer.

#### **Orkney Islands Council:**

- Gavin Mitchell, Head of Legal and Governance.
- Andrew Paterson, Chief Internal Auditor.

#### **Audit Scotland:**

- Gillian Woolman, Audit Director.
- Claire Gardiner, Senior Audit Manager.

## **Chair**

- Councillor Ivan A Taylor, Orkney Islands Council.

### **1. Apologies**

An apology for absence had been intimated on behalf of Davie Campbell, Non-Executive Director, NHS Orkney.

### **2. Declarations of Interest**

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

### **3. Minutes of Previous Meeting**

There had been previously circulated the draft Minute of the Meeting of the Performance and Audit Committee held on 6 July 2022 for consideration, checking for accuracy and approval.

The minute was **approved** as a true record, on the motion of Councillor Jean E Stevenson, seconded by Meghan McEwen.

### **4. Matters Arising**

There had been previously circulated the Matters Arising Log from the meeting held on 6 July 2022, for consideration and to enable the Committee to seek assurance on progress, actions due and to consider corrective action, where required.

#### **4.1. Adoption Allowances and Kinship Payments**

Following a query from the Chair, Stephen Brown confirmed that a target date of June 2023 should be added to the action relating to Adoption Allowances and Kinship Payments.

#### **4.2. Performance Monitoring Report – Development Session**

The Chair noted that the development session regarding performance information had been held on 23 August 2022 and confirmed that this action could now be removed.

#### **4.3. Performance Monitoring Report – Correct Officers**

Following a query from the Chair, Stephen Brown confirmed that ensuring the correct officers were present at meetings when relevant data in performance was being discussed was an ongoing process.

#### **4.4. Internal Audit Annual Report and Opinion**

Following a query from Meghan McEwen, Stephen Brown confirmed that the matters arising log would be updated to reflect that the IJB Performance and Audit Committee would be updated on the internal audit annual report on a quarterly basis.

## 5. External 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 noting.

Gillian Woolman, Audit Director, Audit Scotland, expressed her sadness at being unable to be at the meeting in person as had been planned, given this was the last meeting Audit Scotland would be attending, as their appointment as external auditors had concluded. However, due to exceptional circumstances which she accepted, the meeting had required to revert to Teams at short notice.

For openness and transparency, she confirmed that both herself and Claire Gardiner were also associated with the audits of NHS Orkney and Orkney Islands Council, who were the partners in the health and social care partnership.

She also confirmed that the Integration Joint Board (IJB) was now responsible for commissioning health and social care services to a value of £72 million during the year 2021/22, which included unscheduled care of £9 million.

Turning to Appendix 1 of the report, Ms Woolman confirmed that this was the covering letter addressed to the Performance and Audit Committee of Orkney Integration Joint Board and, under International Standards of Auditing, she confirmed that the IJB Performance and Audit Committee was deemed to be those charged with governance for consideration of the findings at the conclusion of the external audit.

She confirmed that the audit was now complete and that she was proposing an unqualified audit opinion on the accounts. She also confirmed that there were no unadjusted misstatements in the accounts to be corrected.

Referring to paragraph 7 of the covering letter, regarding fraud, subsequent events and compliance with laws and regulation, she confirmed that, normally, throughout the year, Audit Scotland interacted with both the Committee, officers and Internal Audit who would highlight any instances of fraud. She confirmed that, as this was the final time she was looking to those charged with governance, should there be anything that should be drawn to her attention, this would be the moment to do so, prior to the signing the audit certificate.

Turning to Appendix A, she highlighted the following:

- That the wording of the independent auditor's report would be included in the annual report and accounts.
- That, in her opinion, the accompanying financial statements gave a true and fair view, which was in respect of transactions during the year and the financial position at year end.
- That use of the going concern basis of accounting in the preparation of the financial statements was appropriate.
- The paragraph on the respective responsibilities of the Chief Finance Officer, the Performance and Audit Committee as well as her own responsibilities as Auditor regarding the audit of the financial statements.

- That the Accounts Commission for Scotland required Audit Scotland to give a view with respect to the Remuneration Report.
- The management commentary and annual governance statement.
- That she was pleased to confirm that she had no matters to highlight under the section “Matters on which I am required to report by exception” and confirmed that she would be signing the audit certificate once the accounts had been approved.

Turning to Appendix B, the Letter of Representation, she confirmed that, once the accounts had been approved, this would be signed.

Referring to the attached Annual Audit Report, she highlighted the following:

- That the Controller of Audit would receive the Annual Audit Report and in due course it would also be published on Audit Scotland’s website.
- Page 4, Introduction, which set the scene and reminded members that an Annual Audit Plan had been presented to Committee to let members know of the audit work that would be carried out on the 2021/22 accounts.
- Paragraph 13, which detailed how Audit Scotland strove to ensure independence and all staff completed returns, on an annual basis, regarding being fit and proper and having no conflicting interest on audits that they were assigned to.
- Page 6, which highlighted that this was the conclusion of Audit Scotland’s audit appointment which would normally be five years but had been extended to six years due to challenges associated with the pandemic and the procurement process. She confirmed that the incoming external auditors would be KPMG.
- Page 7, section 1, which further elaborated on the audit of the financial statements and highlighted that the accounts were signed off in line with the agreed audit timetable which she stated was a good achievement as Audit Scotland were still operating in a remote fashion which was challenging for all parties.
- Page 8, which highlighted that there was the opportunity for objections to be raised as the draft accounts came into the public domain and there was an inspection notice. No objections had been raised to the 2021/22 accounts. She did highlight that there had been an issue with the inspection notice which was covered in first recommendation.
- Materiality levels were further elaborated on page 8 which were important to both the Audit Scotland team and the finance officers.
- Exhibit 2, page 10, which detailed significant risks that had been identified at the time of planning the audit, with the table giving a follow up of the work carried out, together with the results and conclusions.
- Page 11, Other area of audit focus, which related to payments to primary care contractors. She confirmed that these amounts also appeared in the accounts of NHS Orkney and that NHS Orkney was dependent on NHS Services Scotland to carry out all the work on a centralised basis for the whole of Scotland. She confirmed that she was pleased to say that it had been an unqualified opinion by the service auditor for primary care payments, which was important for the audit of NHS Orkney and also the audit of the Orkney Health and Social Care Partnership.
- Paragraph 38 – Total misstatements identified amounted to £0.4 million, which related to the understatement of debtors and creditors, but did not have an impact on the surplus on provision of services or the level of reserves held.

- Paragraph 42 which stated that progress had been made on prior year audit recommendations, with any actions still underway reiterated in the Appendix. She was aware that this Committee monitored all of the recommendations over the year.
- Section 2, Financial management and sustainability – the undernoted main judgements were noted:
  - The IJB had appropriate and effective financial management arrangements in place over the course of the year to monitor and apprise the Scottish Government of financial performance.
  - As a consequence of receiving additional funding of £5.6 million to cover additional costs arising from COVID-19 and the non-achievement of planned savings, the IJB reported an overall underspend of £3.8 million against a revised budget of £66.4 million.
  - Medium term financial plans had been developed and updated to reflect the impact of COVID-19. The IJB had projected a budget deficit of up to £7.9 million over the period 2022 to 2025 and, as yet, had not identified savings plans to bridge that gap.
- Exhibit 3, page 13 onwards, identified another risk at the time of planning, which looked ahead to financial sustainability. It was known at the beginning of the year there were significant challenges in achieving savings in order to address financial gaps. Results and conclusions were detailed in the table which had also been elaborated at paragraph 58 of the report.
- Unscheduled Care on page 14 – it was noted this was an area that the transition period had progressed for some time in the context of Orkney and the relationship with NHS Orkney. It was noted that a development session had been held and arrangements put in place with respect to the 2022/23 budget setting process.
- Page 14, Paragraph 45, an underspend was reported at the end of the year and key to that was the additional funding from the Scottish Government.
- Exhibit 4, page 15, detailed performance against budget, noting that the initial budget moved from £54.9 million to £66.4million, with an outturn of £62.6million, giving a slight underspend by the end of the year.
- Page 15, detailed an overall opinion that budget processes were appropriate during the year and elaborated further that senior management and members received regular and accurate financial information on the IJB's financial position.
- Page 16, Recommendation 2, that the IJB should develop savings over the short to medium term to bridge the identified funding gaps.
- Page 16, Paragraph 62 – as part of the audit approach, Audit Scotland sought assurance from the external auditor of both NHS Orkney and the Council, who confirmed there were no significant weaknesses in the systems of internal control for either the health board or the Council.
- Page 18, Section 4 – Governance, transparency and best value – Exhibit 5 – an identified risk at the planning process relating to the nature of the management information to help support those charged with governance for the monitoring of performance. In the results and conclusions there was recognition that performance management was still in development and further work was required.

- Page 20, Integration Review Scheme, paragraph 74 onwards, the required integration scheme review was finalised and thereafter approved by Scottish Ministers in May 2022.
- Page 20, paragraph 78 onwards, the IJB had made progress in developing arrangements to secure Best Value.
- Page 21, paragraph 85 onwards highlighted that COVID-19 continued to have an impact on the delivery of services, noting this was not unique to Orkney.
- Page 21, paragraph 89 onwards identified over the past two financial years the IJB had been working to implement recommendations arising from the Care Inspectorate's Joint Inspection of Services for Children and Young People in need of Care and Protection in Orkney.
- Page 22, paragraph 93 noted that the Care Inspectorate found there had been developments to support engagement of children and young people in decisions about their lives but reported there was no mechanism for routinely collecting information about the children's satisfaction with the outcomes.
- Appendix 1, page 23 onwards gave the recommendations at the conclusion of the audit, together with the agreed management action and timelines.

The Chair thanked the Audit Director for her comprehensive feedback on the Annual Report and Audit and thanked her and Claire Gardiner for their help and assistance over the last few years.

Following a query from Meghan McEwen regarding the medium-term financial plan, Pat Robinson confirmed that the medium-term plan was a three-year plan (2022-2025). She confirmed that the £2.4 million savings target from NHS Orkney was included in the first year but not in Year 2 or Year 3 because the three-year savings plan from NHS Orkney and the Council had finished at the end of this financial year (2022/23) so it had not been incorporated. She also confirmed that it was a very rough basis of a 1% increase and highlighted that due to inflation it may well be higher. She further stated that she had not considered any savings targets that the Council may put in in future years as it was just giving a basis at this point in time. Moving forward there would be an action plan coming from the medium-term financial plan to try to drive down some of those costs. She further highlighted that there had been a three-year savings target of £4.2 million but had not got anywhere near that target.

Councillor Jean E Stevenson commented on page 25 of Appendix 1, Integration Scheme Review, and queried the date December 2022 and wondered whether that should be December 2021. Stephen Brown confirmed that the date should be December 2021.

Following a query from Meghan McEwen whether the risk score would come down on the risk register following conclusion of the external audit recommendation to review the Scheme of Integration, Stephen Brown gave assurance that this would be taken into account when the risk register was reviewed.

Issy Grieve commented that she was present at the meeting purely as an observer and to sign the letter of representation, but she would like to thank Audit Scotland for the years of due diligence, scrutiny and gracious professionalism that they displayed towards the IJB throughout their tenure.

The Performance and Audit Committee thereafter noted:

**4.1.** That, Audit Scotland, as the Integration Joint Board's External Auditor, had concluded its audit of the Board's Annual Accounts for the year ended 31 March 2022.

**4.2.** That Audit Scotland's audit opinion on the Annual Accounts of the Integration Joint Board were unmodified for the 2021/22 Annual Accounts.

**4.3.** Audit Scotland's covering letter in respect of the audit of the Integration Joint Board's Annual Accounts for 2021/22, attached as Appendix 1 to the report circulated.

**4.4.** The Integration Joint Board's Letter of Representation to Audit Scotland in connection with its audit of the Annual Accounts of the Integration Joint Board for the year ended 31 March 2022, attached as Appendix 2 to the report circulated.

**4.5.** The Annual Audit Report to the Orkney Integration Joint Board and the Controller of Audit, attached as Appendix 3 to the report circulated.

## **5. Annual Accounts**

There had been previously circulated a report presenting the final Annual Accounts for financial year 2021/22, for scrutiny and approval.

Pat Robinson also expressed her thanks to Gillian Woolman and her team for their patience, support and guidance over the last six years.

She went on to highlight that, due to the scheduled meeting of the Performance and Audit Committee being postponed due to quoracy issues, and to enable the accounts to meet the timescales to be submitted for external audit, the draft accounts were presented, for scrutiny and approval, to the Integration Joint Board at its meeting held on 29 June 2022. She stated that she was not going to go through the accounts again but confirmed that all the issues raised by Audit Scotland had been resolved, resulting in attaining the unqualified report.

Following a query from Councillor Jean E Stevenson, regarding whether reserves not used during COVID-19 could be available to use in other ways, Pat Robinson confirmed that most of the reserves were earmarked reserves which meant they could not be used for anything else. She confirmed that the Scottish Government had confirmed they would be looking to take some of the money back that had not been used for COVID-19 costs. She confirmed that it was the same for both the Primary Care Improvement Plan and the Alcohol Drug Partnership, reserves would need to be used before any additional funding would become available. She confirmed that this would be incorporated in future finance reports.

Meghan McEwen queried the forward planning and the financial action plans as the medium-term financial plan had been presented at the end of a three-year planning cycle and did not reflect any additional savings from NHS Orkney or the Council. She also stated that she would like to understand the Performance and Audit Committee's role in those action plans and savings targets and queried whether it was expected that those action plans would come to this Committee or would they go elsewhere.

Following confirmation from Stephen Brown that, in terms of the action plans, performance reports would be brought to the Performance and Audit Committee in the first instance and would be aligned to all of the activity which would include delivery on the strategic plan and also on any associated saving plans, Meghan McEwen further queried if that could be reflected in the Committee's Terms of Reference. She stated that the Terms of Reference focused on performance, but it did not make it explicit that financial and savings performance were included.

Following a query from Councillor Jean E Stevenson, Pat Robinson confirmed that an exit package was either a redundancy or retirement package and was when someone left NHS Orkney or the Council.

As this was Pat's last meeting of the Performance and Audit Committee before leaving for her new role, the Chair thanked her for all her hard work.

The Performance and Audit Committee thereafter noted:

**5.1.** That the Integration Joint Board was required to produce its own statutory accounts in terms of the Local Authority Accounts (Scotland) Regulations 2014 and Section 106 of the Local Government (Scotland) Act 1973.

**5.2.** The minimum reporting requirements contained in the legislation, which included:

- To consider and approve the audited Annual Accounts for signature no later than 30 September immediately following the financial year to which the accounts relate.
- To publish the accounts on a website by 31 October.

**5.3.** The management commentary, comprising pages 3 to 22 of the Annual Accounts, attached as Appendix 1 to the report circulated, which provided an overview of the most significant matters reported in the Annual Accounts for the financial year ended 31 March 2022, with the key facts and figures summarised at section 4.3 of the report circulated.

The Performance and Audit Committee **approved**:

**5.4.** The Annual Accounts for financial year 2021/22, attached as Appendix 1 to the report circulated.

## **6. Date and Time of Next Meeting**

It was agreed that the next meeting be held on Wednesday, 7 December 2022 at 09:30.

It was noted that the following dates had also been scheduled:

- Wednesday, 22 March 2023.
- Wednesday, 28 June 2023.
- Wednesday, 27 September 2023.
- Wednesday, 6 December 2023.

## **7. Conclusion of Meeting**

There being no further business, the Chair declared the meeting concluded at 10:08.