



Stephen Brown (Chief Officer)
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Agenda Item: 3

IJB Performance and Audit Committee

Wednesday, 19 March 2025 10:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Minute

Present

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

Clerk

- Sandra Craigie, Committees Officer, Orkney Islands Council.

In Attendance

Orkney Health and Social Care Partnership:

- Stephen Brown, Chief Officer, Integration Joint Board.
- Shaun Hourston-Wells, Acting Strategic Planning Lead.

Orkney Islands Council:

- Erik Knight, Head of Finance.
- Andrew Paterson, Chief Internal Auditor.
- Georgette Herd, Solicitor.
- Jem Brewer, Internal Auditor.
- Deborah Langan, Team Manager (Accounting).

Azets

- Rachel King, Manager, Risk Assurance (via Microsoft Teams) (for Items 1 to 11).

KPMG

- Taimoor Alam, Manager (via Microsoft Teams) (for Items 1 to 11).

Chair

Joanna Kenny, Non-Executive Director, NHS Orkney.

1. Apologies

Apologies for absence had been intimated on behalf of Lynda Bradford, John Daniels, Rona Gold, Wendy Lycett and Darren Morrow.

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 11 December 2024 for consideration, checking for accuracy and approval.

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

4. Matters Arising

There had been previously circulated the Matters Arising Log from the meeting held on 11 December 2024, for consideration and to enable the Committee to seek assurance on progress, actions due and to consider corrective action, where required.

Regarding Action 1: Adoption Allowances and Kinship Payments, Stephen Brown confirmed that the Fostering, Adoption and Kinship Care Allowances and Fees had been recommended for approval by the Policy and Resources Committee in February and subsequently ratified by the full Council on 4 March 2025.

Regarding Action 2: Financial Performance reporting and Action 3: Inclusion of the full Risk Register on the Performance and Audit Committee agenda, Stephen Brown confirmed that discussions regarding those actions would be taken forward with the incoming Chair.

The Chair extended congratulations to all parties involved for all the work involved in getting the adoption allowances and kinship payments approved.

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

5. Indicative External Audit Annual Plan

There had previously been circulated a report presenting KPMG's Indicative External Audit Annual Plan for 2024/25, for noting.

Erik Knight, Head of Finance, Orkney Islands Council, confirmed that the Indicative External Audit Annual Plan 2024/25 followed a very similar pattern to the previous year. He highlighted the main sections of the Plan, as follows:

- The Indicative External Audit Plan 2024/25 contained an overview of the planned scope and timing of the audit. The indicative plan identified the work required to provide an opinion on the financial statements and related matters.
- The indicative materiality level was set at £2.2m.
- The main risk areas for the IJB summarised on page 5, which were stated as:
 - Risk from income recognition and expenditure, and
 - Risk of management override of controls.
- The Wider Scope and Best Value part of the audit on pages 9 to 15.
- The audit schedule shown in the infographic on page 8 showing clearly the 30 September deadline for finalisation of the Board's annual accounts, and the auditor's report.

Taimoor Alam, Manager, KPMG, provided an overall summary of the Indicative External Audit Plan 2024/25 highlighting:

- That, in respect of the risk relating to income recognition and expenditure, KPMG planned to rebut the risk and not incorporate specific work into the audit plan in that area beyond the standard fraud procedures.
- The management override of controls detailed on page 7, clarifying that as per the auditing standards this risk was not rebuttable was given.
- The audit cycle and expected timetable detailed on page 8, which gave a breakdown of the planning, fieldwork and reporting to committee stages.
- The wider scope and best value as detailed on page 10 of the plan.
- The detailed analysis as detailed on pages 11 to 14 in relation to:
 - Financial Management.
 - Financial Sustainability.
 - Vision, Leadership and Governance.
 - Use of Resources to Improve Outcomes.

Following a query from Councillor Lindsay Hall who sought assurance that the September deadline as detailed on page 8 of the Plan would be met, Taimoor Alam confirmed that discussions with officers had taken place as part of the planning and risk assessment stage and that KPMG did aim to achieve that deadline, noting that as with previous audits, situations could arise which caused delays. He continued that some key changes in terms of how KPMG resourced the audits had been made to assist in meeting the deadline of 30 September. He further confirmed that KPMG would take a proactive approach and inform officers as well as the Performance and Audit Committee if there were to be delays.

Meghan McEwen queried whether the word should be security or scrutiny on the fourth point on page 13 of the Plan and if it was security to clarify what it was that was being secured.

Taimoor Alam confirmed that it may be a typo and confirmed that it would be corrected for the next version, if appropriate.

Continuing with his summary of the Indicative External Audit Plan 2024/25, Taimoor Alam highlighted:

- Appendices 1 to 3 of the Plan which detailed a range of information included as part of all audit plans outlining mandatory communications, confirmation of independence and the audit team.
- Appendix 4 which detailed the fees.
- Appendix 5 which detailed the responsibility in relation to fraud.
- Appendix 6 which detailed Audit Scotland's code of audit practice – responsibilities of auditors and management.

Erik Knight drew the Committee's attention to the risks that had been identified under the financial management and financial sustainability sections of the Plan and highlighted that those risks may well have an impact on the audit results.

Following a query from Meghan McEwen regarding risks, Erik Knight referred to page 11 of the audit plan where the auditors had identified that the Board had run for a period of time last year without a budget in place. He confirmed that as the post of Chief Finance Officer was still vacant, Deborah Langan, Team Manager (Accounting), was now assisting in this area, so he was hopeful that there would be a budget in place by April 2025. He continued that there was still the risk of where it was aimed to achieve the budget spend rather than overspending against the budget in terms of financial sustainability. Regarding the ongoing work in relation to the development and presentation of an updated recovery plan and a medium-term financial plan as outlined on page 12 of the plan, Erik Knight stated that the Board had been waiting a number of years for the recovery plan and the recovery plan that was in place currently did not fit the gap, so he felt these were the risks that could be raised and could be issues in terms of financial governance. These were areas that the Performance and Audit Committee and the Integration Joint Board should be taking seriously.

Following a further query from Meghan McEwen regarding the expected timescale for the recovery plan, Stephen Brown confirmed that over the last few years Audit Scotland reports had clearly identified that there was a budgetary gap for Integration Joint Boards across the country, and that Orkney was no different in many ways to other areas. He continued that the local issues in relation to where those overspends were coming from had been identified and that a recovery plan had been brought to the Integration Joint Board previously which, as highlighted by Erik Knight, did not completely close the funding gap. He continued that work was still ongoing with partners in the Council and NHS Orkney in terms of moving forward but was unable to give a timescale. He confirmed that the budget would, hopefully, be brought forward in April, and they would try to ensure that there were plans required in relation to recovery as and when they move forward in the year.

The Chair thanked Stephen Brown and conveyed her disappointment that, once again, no representative from NHS finance was present at the meeting. She emphasised that the insights gained at Performance and Audit Committee meetings were substantial and the contribution from NHS finance would be highly valuable.

Councillor Lindsay Hall addressed the funding gap noting that it had persisted for several years. He emphasised that the Integration Joint Board would eventually need to confront the issue and make decisions on how to address the gap, suggesting that taking action sooner rather than later would be beneficial.

The Performance and Audit Committee thereafter noted the indicative external audit plan for 2024/25, prepared by KPMG, attached as Appendix 1 to the report.

6. Internal Audit: Strategic Commissioning

There had previously been circulated Azets' internal audit report on procedures and processes for strategic commissioning, for scrutiny.

Rachel King, Audit Manager, Azets, provided an overall summary of the internal audit, highlighting:

- That the Integration Joint Board had a process in place for strategic commissioning, with a number of good practice areas identified as follows:
 - The Strategic Plan clearly outlined Strategic Priorities and considered other relevant strategies which evidenced cross working and shared goals across Orkney.
 - The Strategic Priorities and decision making by the Board were clearly aligned with the Strategic Plan.
 - There was a clear process of issuing directions which were detailed and understandable which made the commissioning achievable and measurable.
- The three commissioned areas identified were related to the Strategic Priorities of the Board.
- There were three areas identified as areas for improvement which would strengthen strategic commissioning:
 - Strategic Priorities and milestones should be specific and measurable.
 - Strengthen monitoring arrangements for commissioning services.
 - Ensuring actions within the Integration Joint Board's Matters Arising Log had realistic timescales and were completed timely.

The Chair thanked Rachel King for her presentation and stressed the importance of the Performance and Audit Committee capitalising on the opportunities provided by the internal audit, as it would enable the Committee to advance to the next level.

Stephen Brown stated the timeliness of the internal audit and the recommendations therein, which would be built into the new strategic plan including actions that would be looked on to be delivered. He felt that there were some really helpful examples of where improvements could be made and stated that the team would take this on board and would help inform the new strategic planning actions.

Meghan McEwen concurred with the timeliness of the report coming just before the new strategic commissioning plan. However, she noted that a crucial piece of information missing was the budget for any directives issued. Whilst she acknowledged the necessity for objectives to be SMART in relation to outcomes for individuals, she also emphasised the importance of being realistic regarding the budget allocated to achieve those

outcomes. She continued that if all relevant information was incorporated in the commissioning plan it would enable cohesive tracking.

Stephen Brown confirmed that areas commissioned recently had been specific about where the budget was coming from in terms of delivery. He continued that challenges were faced across the whole health and social care system and how those were managed would certainly feature in any recovery plan going forward.

Rachel King confirmed that when Azets had looked at a sample of commissions, all the figures were set out stating what the cost and budget involved. Regarding the point raised about having sufficient funds in terms of the IJB Strategic Plan, she advised that it was good to link financial strategies to budgeting as well and confirmed that that was an important point to consider going forward.

Meghan McEwen further queried that when a commission had been allocated a budget but had gone off track either because it was not delivering for individuals or because it was vastly overspent and therefore no longer affordable, where did that get raised at the earliest opportunity?

Rachel King confirmed that issue was covered within Control Objective 3 which was around monitoring arrangements.

Stephen Brown gave reassurance that there had been no issues with commissioning pieces that had suddenly gone beyond allocated budget but if that were to happen it would come through the normal budgetary reporting as outlined by Rachel King.

Councillor Lindsay Hall sought assurance that no additional teams were going to be created. Stephen Brown gave an example of money that had been received from the Scottish Government specifically for setting up the distress brief intervention. It was clear how it would be set up in practice and that it was going to be commissioned from a third sector provider who, in order to deliver the service, would need to create a team. So, while new teams would not be set up indiscriminately, any that were needed would be brought to the Integration Joint Board with costings and budget.

The Performance and Audit Committee thereafter noted:

6.1. That Azets had undertaken an Internal Audit of procedures and processes for strategic commissioning as part of the Integration Joint Board's annual audit plan.

The Performance and Audit Committee thereafter scrutinised:

6.2. The key findings of the Internal Audit of Strategic Commissioning, attached at Appendix 1 to the report circulated, which were summarised in section 4 of the report and obtained assurance.

7. Internal Audit Charter

There had previously been circulated the Internal Audit Charter for 2025/26, for approval.

Andrew Paterson, Chief Internal Auditor, highlighted the following:

- The Global Internal Audit Standards in the UK Public Sector were to come into effect on 1 April 2025 replacing the Public Sector Internal Audit Standards. As part of that change, the Internal Audit Charter had been revised and was attached as Appendix 1 to the report circulated.
- The Charter contained the purpose, mandate, responsibilities and the scope of services provided. It also detailed the authority of Internal Audit to access records, personnel and physical properties relevant to the performance of audit engagements and defined the scope of internal audit activity.
- The Charter was based on the Institute of Internal Auditors (IIA) model charter and conformed with the Global Internal Audit Standards in the UK Public Sector.
- The Chief Internal Auditor would report annually to the Performance and Audit Committee and senior management regarding conformance with the Global Internal Audit Standards in the UK Public Sector which would be assessed through a quality assurance and improvement programme.

Councillor Lindsay Hall commented that the Committee should be aware that this was an enormous piece of work that the Internal Audit team had done to bring about awareness of the changes so that, going forward, the Committee could make the best of the audits and learn from them.

The Performance and Audit Committee thereafter **resolved** that the Internal Audit Charter for 2025/26, attached as Appendix 1 to the report circulated, be approved.

8. Internal Audit Strategy and Plan

There had previously been circulated a report presenting the Internal Audit Strategy and Plan, for approval.

Andrew Paterson, Chief Internal Auditor, advised:

- That the Integrated Resources Advisory Group Finance Guidance recommended that Integration Joint Boards should establish adequate and proportional internal audit arrangements and that the Chief Internal Auditor should develop a risk-based internal audit plan. This requirement was also in compliance with the Global Internal Audit Standards in the UK Public Sector.
- The Strategy set out how the service would be developed and delivered in accordance with the new Audit Charter.
- That for planning, a strategic approach had been taken by presenting a three-year rolling plan which was reviewed annually and may be adjusted as necessary.
- That the audit plan was prepared following a comprehensive risk-based planning process which involved reviewing risk registers, strategic and operational plans, previous internal and external audit reports and discussions with the Chief Officer and the Chair of the Performance and Audit Committee to identify any areas of concern.
- That the table on page 4 of the report indicated the auditable areas and the proposed plan for a three-year period.

Following a query from Councillor Lindsay Hall, Andrew Paterson confirmed that the Financial Planning Monitoring and Reporting, which was last audited in August 2020, was currently being reviewed and would be reported to a future meeting.

Erik Knight added that, in that reporting period, there had been a lot of change with the Chief Finance Officer postholder having changed several times, but with Deborah Langan now in place for a temporary period of six month dealing with the Council side, as well as support from himself and Pat Robinson, the results from the Financial Planning Monitoring and Reporting internal audit would hopefully be sufficient to allay some of KPMG's concerns.

Following a query from Meghan McEwen, Andrew Paterson confirmed that there were objectives for the internal audit team but for every audit the governance, risk management and control processes were reviewed. He continued that the improved internal audit processes were about the audit team using more data analytics within the audits and utilising artificial intelligence to assist in the audit process. He continued that raising the profile of internal audit was done through stakeholder engagement and attendance at Performance and Audit Committee, as well as other auditing committees.

The Performance and Audit Committee thereafter **resolved** that the Internal Audit Strategy and Plan for 2025 to 2026, attached as Appendix 1 to the report circulated, be approved.

9. Strategic Plan Priorities Progress Report

There had previously been circulated a report presenting the Strategic Plan Priorities Progress Update, for noting.

Shaun Hourston-Wells, Acting Strategic Planning Lead, presented the fifth quarterly update where officers advised on progress made against three of the six Strategic Priorities. Pages 4 to 6 of the report circulated detailed the three Strategic Priorities included in this update which were:

- Community Led Support.
- Early Intervention and Prevention.
- Tackling Inequalities and Disadvantage.

He continued that the tracker had been developed to monitor performance against each Strategic Priority, along with its milestones and measures. Whilst there were no risk implications arising directly from 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 2022-2025. He continued that, should the 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.

He confirmed that the new Strategic Plan would be presented to the Integration Joint Board for approval shortly but anticipated that the three remaining priorities, detailed on pages 7 to 11, would still be reported to the June 2025 meeting. Following that meeting, reporting would commence on the new milestones and actions. He confirmed that as there was still work outstanding on some of the current priorities, those actions would be rolled forward into the new Strategic Plan.

Following a query from Councillor Jean Stevenson regarding early intervention and prevention, Stephen Brown confirmed that at the Neurodevelopmental Pathway Workshop held on 4 March 2025 there had been representatives from all partners present, including paediatricians, child and adolescent mental health services, allied health professionals and education colleagues including educational psychology. It had been agreed that, moving forward, there should be a single point of access for referrals and a single pathway in terms of the initial triage of those referrals and how they would then move forward. The workshop had been held via Teams to enable colleagues from NHS Grampian to attend but the next step was to hold a face-to-face workshop to work through the resources required to deal with the backlog and to finalise the Pathway so there was visibility both internally and externally. He confirmed that the Children's Services Strategic Group, whose membership also included all partners, would have oversight for this area to ensure that it was progressed.

Following further queries from Councillor Jean Stevenson regarding what the single point of access would be and the increased provision of family support, Stephen Brown confirmed that work was ongoing regarding the single point of access as to what was needed and who would monitor it. Regarding the increased provision of family support, he confirmed that there were a number of family support services available in Orkney, some of which were being supplemented by specific funding from the Scottish Government. It was recognised that the family support elements, which traditionally sat within the social work service, was probably not the best place and that family support should be about trying to avoid parents and young people reaching crisis point and should sit elsewhere. He continued that the overarching model of care had been looked at and that Darren Morrow would have more information should she wish to contact him.

Following a query from Councillor Lindsay Hall, Shaun Hourston-Wells confirmed that community engagement was taking place on some level but did comment that they would like to do more. Referring to the Community Engagement Officer, he confirmed that the role would embrace Community Led Support, which was an area that they were keen to develop, so, in his opinion, there was still the need for the post.

Stephen Brown continued that there was ongoing community engagement which was probably better currently than it ever had been, giving examples of meeting with all community councils on the isles on a regular basis and engagement continuing with a wider number of community groups on the Mainland than previously. He confirmed that the post of Community Engagement Officer would be revisited in relation to the purpose of the post and whether there would be a preference for the Integration Joint Board.

Following a further query from Councillor Lindsay Hall regarding mental health, Stephen Brown confirmed that the job descriptions for posts within the All Age Nurse Led Psychiatric Service had been produced and agreed and that the positions should be advertised in the near future.

Following a query from Meghan McEwen regarding timescales, Shaun Hourston-Wells confirmed that the Committee had previously been advised that the new Strategic Plan should contain specific dates.

The Performance and Audit Committee thereafter noted:

9.1. That, to ensure an update on progress was provided biannually in respect of each Strategic Priority, an update on three of the six priorities was presented every quarter to the Performance and Audit Committee.

The Performance and Audit Committee scrutinised:

9.2. 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.

10. Date and Time of Next Meeting

The Committee agreed that the next meeting should be held on Wednesday, 18 June 2025 at 10:00.

11. Exclusion of Public

On the motion of Joanna Kenny, seconded by Councillor Lindsay Hall, the Committee agreed that the public be excluded from the remainder of the meeting as the business to be considered involved the disclosure of exempt information of the classes described in the relevant paragraphs of Part 1 of Schedule 7A of the Local Government (Scotland) Act 1973 as amended.

12. Orkney Islands Council Internal Audit

Orkney Health and Care Payment Processes

Under section 50A(4) of the Local Government (Scotland) Act 1973, the public had been excluded from the meeting for this item on the grounds that it involved the disclosure of exempt information as defined in paragraphs 1, 4, 5 and 6 of Part 1 of Schedule 7A of the Act.

There had previously been circulated the internal audit report completed for Orkney Islands Council on procedures and processes in place around the making of payments within the remit of Orkney Health and Care (OHAC), for information.

Andrew Paterson advised:

- That the report circulated had been scrutinised by the Council's Monitoring and Audit Committee on 13 February 2025.
- That the Public Bodies (Joint Working) (Scotland) Act 2014 required health bodies and local authorities to integrate planning for, and delivery of, certain adult health and social care services. These services were commissioned by Orkney Health and Care (OHAC), who made payments to various providers to facilitate the delivery of those services.
- That the objective of the audit was to evaluate the procedures and processes in place around the making of payments within the remit of OHAC in order to assess the adequacy of and compliance with internal controls over such payments.
- The audit provided an unsatisfactory assurance rating over the framework of procedures and controls relating to OHAC payments.

- The internal audit report, attached as Appendix 1 to report circulated, included nine high priority recommendations regarding policies, governance around various payments, and compliance with Financial Regulations and Contract Standing Orders. There were also 13 medium priority recommendations regarding a register of agency workers, policies and procedures, governance around payments, contract management, expense claims and PARIS records.
- That, since the report had been presented to the Monitoring and Audit Committee, good progress had been made on the recommendations with half completed in that period.

Meghan McEwen queried what happened when audited actions were completed. Stephen Brown stated that all completed actions required evidence to be submitted to the Internal Audit team. With this specific audit, there would be a follow up audit at the end of 2025, the results of which would be brought to both the Council's Monitoring and Audit Committee for scrutiny, and to the Performance and Audit Committee, for information, as part of the internal audit protocol.

Councillor Jean Stevenson commented that it was reassuring there would be a follow up audit as the report had been quite shocking.

Councillor Lindsay Hall commented while the report was catastrophic, it should be noted that the officers had acted above and beyond to put many of the actions arising from the recommendations in place already which emphasised how seriously officers took the audit.

The Chair commented that, when reading the report, there was a lot of good identified with sections working as they were expected to work, and the Committee should not lose sight of that. She further commented that, with the Procurement section now brought in, issues with accommodation would be more controlled.

Stephen Brown commented that he had anticipated some issues due to the complexity of using agency staff and confirmed that clear policies would be put in place regarding, for example, what could and could not be claimed for. He also stated that there still needed to be a degree of flexibility highlighting the cost of accommodation which was expected to rise over the period of the Island Games where agency staff would still be required during that time. He confirmed that there was a lot of work still to be done but was confident that it would be achieved.

The Chair commented that she was disturbed to see that there were no procedures in place to confirm with agencies that agency workers had received adequate training and the risk that could bring to the service.

Stephen Brown confirmed that the vast majority of front-line agency social workers and social care workers were already trained to the required level but confirmed that some of the biggest challenges to agency managers was appropriate training on the financial systems. He continued that currently there was a degree of continuity as some of the agency managers had now been in employment for approximately 18 months. Part of the issue was the fact that individuals had to make judgements with what could be claimed for as there was nothing in writing to state what could not be claimed. He confirmed that there was a need to be explicit in this area.

Following a further query from the Chair, Jem Brewer confirmed that the issue of training for agency workers was covered in recommendation 2 under policies and procedures for agency workers.

The Performance and Audit Committee thereafter noted the internal audit report, attached as Appendix 1 to the report circulated, assessing the adequacy of, and compliance with, internal controls relating to the procedures and processes in place in respect of the making of payments within the remit of Orkney Health and Care, which was scrutinised by the Council's Monitoring and Audit Committee on 13 February 2025.

13. Conclusion of Meeting

Prior to concluding the meeting, as this was her last meeting as Chair of the Performance and Audit Committee, Joanna Kenny thanked all officers for all their work and support.

There being no further business, the Chair declared the meeting concluded at 11:41.