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Agenda Item: 8

IJB Performance and Audit Committee

Wednesday, 24 June 2026, 14:00.

Council Chamber, Council Offices, School Place, Kirkwall.

Minute

Present

- Rona Gold, Non-Executive Director, NHS Orkney (via Microsoft Teams).
- Issy Grieve, Non-Executive Director, NHS Orkney
- Councillor Lindsay Hall, Orkney Islands Council.
- Willie Neish, Carer Representative.
- Councillor Ivan Taylor (Proxy), 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:

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

Orkney Islands Council:

- Andrew Paterson, Chief Internal Auditor.
- Georgette Herd, Principal Solicitor.

NHS Orkney:

- Damian Reid, Interim Director of Finance (via Microsoft Teams) (for Items 4 to 14).

Azets:

- Rachel King, Manager (via Microsoft Teams).

KMPG:

- Michael Wilkie, Partner (via Microsoft Teams).

Observing

Orkney Islands Council:

- Craig Walker, Service Manager (Human Resource Operations).
- Jenny Findlay, Internal Auditor.

Chair

- Councillor Lindsay Hall, Orkney Islands Council.

1. Apologies

Apologies for absence had been intimated on behalf of Councillor Jean Stevenson, Danny Oliver, Stephen Brown, Steven Phillips and Gareth Waterson.

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 March 2026 for consideration, checking for accuracy and approval.

Issy Grieve advised that her query was not so much about accuracy of the Minute but referred to Item 4 Matters Arising regarding the Financial Recovery Plan and noted that it had been suggested the plan would be considered at this meeting. It was acknowledged that the item was not included on the agenda as it had already been presented to the Integration Joint Board on 22 April 2026. However, she encouraged the Performance and Audit Committee to consider receiving regular updates on the Financial Recovery Plan as part of its increasing scrutiny of the Integration Joint Board's financial performance.

The Chair asked whether it would be reasonable for the Financial Recovery Plan to become a regular item for the Performance and Audit Committee.

Mohammed Sohail advised that the intention was already to provide quarterly reports on progress against the Financial Recovery Plan to the Integration Joint Board but confirmed that bringing those updates to the Performance and Audit Committee on a regular basis would also be possible.

The Minute was thereafter **approved** as a true record.

Sam Thomas joined the meeting at this point.

4. Matters Arising

There had been previously circulated the Matters Arising Log from the meeting held on 18 March 2026, for consideration and to enable the Committee to seek assurance on progress, actions due and to consider corrective action, where required.

The Performance and Audit Committee noted there were no outstanding matters to consider.

5. Draft Annual Accounts

There had previously been circulated a report presenting the draft Annual Governance Statement and the draft Annual Accounts for financial year 2025/26, for scrutiny and approval.

Mohammed Sohail presented the report, explaining that the figures had already been reviewed by the Integration Joint Board at its meeting the previous week through the management accounting report, which focused on budget versus outturn performance.

He confirmed that overall, performance had improved by approximately £1.5 million compared with budget. The principal reasons for improvement were:

- Better management of outwith Orkney placement costs, which were held broadly in line with the previous year.
- Successful control of agency staffing expenditure, which remained stable in real terms.
- Extra income generated from other Health Boards.

He went on to highlight a number of errors, which had only recently come to light, within the draft accounts as follows:

- Page 30 – Taxation and Non-Specific Grant Income to be amended from £81.799 million to £83.388 million.
- Page 30 – Surplus position to be amended from £630,000 to £959,000, aligning with the Movement in Reserves Statement.
- Page 35, Note 4 – corresponding figures to be updated:
    - £81.799 million to £83.388 million.
    - £53.328 million to £49.937 million.
    - £31.471 million to £33.451 million.

He further advised that the above amendments were presentational accounting adjustments only and did not change the overall financial position.

He continued that the main financial pressures remained those outlined in the report, particularly outwith Orkney placements, where expenditure could fluctuate significantly depending on the number of individuals requiring specialist placements and the complexity of their needs.

In relation to agency staffing costs, he noted that while expenditure had not increased, it had also not reduced. Reducing agency spend remained a key element of the Financial Recovery Plan, with savings anticipated during 2026/27.

Additional underspends were reported within NHS Orkney services as a result of:

- Additional income from other Health Boards.
- Nursing vacancies.
- Other staffing vacancies across health services.

He concluded that those factors had contributed positively to the year-end position.

The Chair sought clarification regarding the significance of the errors identified within the draft accounts and whether approval should be granted before the corrections had been incorporated. Mohammed Sohail advised that the accounts presented were still in draft and that the identified amendments would be made prior to submission to the auditors, noting that the changes were presentational only and did not affect the overall financial position.

Members expressed concern that the draft accounts contained known errors and emphasised the importance of reviewing a corrected version before publication. It was suggested that approval be granted subject to the amendments being incorporated, with the changes recorded in the Minute and the corrected version circulated to members.

Issy Grieve stated that, while she would have preferred members to have been presented with an error-free version for approval, she was content for the amendments to be made and the corrected draft accounts circulated. Rona Gold sought and received confirmation that the amendments related solely to figures within the statutory accounts and did not affect the narrative commentary or the assessment of financial performance. Having received that assurance, she confirmed that she was satisfied with the explanation provided.

The Performance and Audit Committee thereafter scrutinised and **resolved**, subject to the errors identified being amended, to approve the draft Annual Governance Statement and the draft Annual Accounts for financial year 2025/26, attached as Appendix 1 to the report circulated.

6. Draft External Audit Annual Plan

There had previously been circulated a report presenting KPMG’s Indicative External Annual Audit Plan for 2025/26, for information.

Mohammed Sohail advised that the key audit risks were unchanged from the previous year and related to the recognition of income and expenditure and the risk of management override of controls. He noted that materiality remained broadly consistent with the previous year at £2.2 million and highlighted the requirement to complete the audit process and obtain a final audit opinion by September 2026.

Michael Wilkie advised:

- That audit materiality had been set at £2.2 million, which was broadly consistent with the previous year, with performance materiality of £1.65 million.
- That any misstatements exceeding £110,000, or considered material by nature, would be reported to the Performance and Audit Committee.
- That the Audit Plan considered the two standard presumed fraud risks relating to:
    - Recognition of income and expenditure.
    - Management override of controls.
- That the risk relating to the recognition of income and expenditure had been rebutted due to the nature of the Board's transactions, although some audit testing would still be undertaken.
- That appropriate audit procedures would be undertaken in respect of the risk of management override of controls.
- That the Audit Plan identified financial management and financial sustainability as key risk areas, reflecting the Board's requirement to deliver savings and manage ongoing financial pressures.
- That the report also included confirmation of auditor independence, the proposed audit fee and the respective responsibilities of management and the external auditors.

In response to a query from Issy Grieve regarding whether the risk relating to financial sustainability had reduced in light of the Integration Joint Board's improved year-end financial position, Michael Wilkie advised that the Audit Strategy reflected the risk assessment for the 2025/26 financial year and that financial management and sustainability would continue to be considered as part of the audit, with the auditors' findings to be reported to the Performance and Audit Committee in September.

In response to a further query from Issy Grieve regarding the 4.35% increase in the audit fee and whether a similar increase was anticipated for 2026/27, Michael Wilkie advised that audit fees were determined by Audit Scotland in accordance with its published fee-setting methodology. He explained that fees were generally linked to cost of living increases and other adjustments, including sector-wide fee modifications, and therefore it was not possible at this stage to comment on any future increase, as fees would be communicated by Audit Scotland rather than set by KPMG.

The Performance and Audit Committee thereafter noted the draft External Audit Plan for 2025/26, prepared by KPMG, attached as Appendix 1 to the report circulated.

7. External Audit Actions – Progress Report

There had previously been circulated a report presenting an update on progress with External Audit actions, for scrutiny.

Andrew Paterson informed members:

- That the purpose of the report was to provide an update on progress with the implementation of external audit actions.
- That progress was monitored using the Council's Ideagen risk management system.

- That the system used a traffic-light rating system to classify progress, as follows:
  - Red – action had passed its agreed completion date.
  - Amber – action was experiencing minor underperformance.
  - Green – action was likely to meet or exceed its target.
  - Blue – action had been completed.
- That the report detailed the number of actions within each category and was presented by individual audit.
- That of the four recommendations remaining on the Ideagen system:
  - Two had been completed.
  - Two remained in progress, with completion dates later in the year.
- That pages 3 to 5 of the report provided details of the status of each action together with the latest updates from action owners.
- Actions that had previously been completed had already been reported to the Committee and were therefore not included in the report.

The Performance and Audit Committee thereafter scrutinised progress made, to date, in completing actions arising from External Audit reports, as detailed in Appendix 1 attached to the report circulated, and obtained assurance that issues identified during external audits were being actioned and followed up.

8. Internal Audit – Workforce Planning

There had previously been circulated a report presenting the Workforce Planning Internal Audit Report, for scrutiny.

Rachel King advised that the report on workforce planning reviewed the arrangements in place to manage and monitor the workforce required to meet the needs of health and social care services in Orkney. She advised that the review had considered the Integrated Workforce Plan 2022 to 2025 and identified a number of strengths, including detailed analysis of workforce challenges, demographics, vacancies, workforce risks, and wellbeing and development priorities. While significant work had gone into development of the existing plan, the audit found that it was now out of date and that its length and complexity had limited its effectiveness as an ongoing management tool.

She continued that a number of areas for improvement had been identified, including:

- Development of an updated Workforce Plan for the period from 2026 onwards.
- Production of a more streamlined Workforce Plan supported by a detailed action plan.
- Establishment of a steering group, or similar arrangement, involving representatives from NHS Orkney and the Health and Social Care Partnership to support collaborative development of the plan.
- Inclusion of succession planning arrangements, particularly in relation to the risks associated with an ageing workforce.
- Clear allocation of responsibilities and ownership for actions within the Workforce Plan, together with regular monitoring and reporting through an agreed governance structure.

Issy Grieve welcomed the report and noted that it was encouraging to receive an audit report that identified areas for improvement, demonstrating that the audit process was operating effectively. She emphasised the importance of ensuring that the actions arising from the audit were progressed through the appropriate governance arrangements.

Lynda Bradford advised that work to address the audit findings was already being taken forward, with an initial meeting involving Stephen Brown, the Director of People and Culture, NHS Orkney, and the Head of Human Resources and Organisational Development, Orkney Islands Council, scheduled for 10 July 2025. She confirmed that the actions arising from the audit would need to be considered alongside the work of the Strategic Planning Group.

Councillor Ivan Taylor noted the relevance of the findings to the wider Public Sector Reform agenda and the importance of ensuring that the workforce planning work aligned with broader reform activity across the public sector. Lynda Bradford agreed that, as Public Sector Reform work developed, the audit findings and resulting actions would need to be considered within that wider context.

Issy Grieve welcomed this approach and highlighted that the Strategic Planning Group was well placed to oversee the work, given its broad membership, including representation from the third sector and operational staff from both NHS Orkney and Orkney Islands Council. She noted that the group was already well positioned to contribute to wider Public Sector Reform discussions.

The Chair noted that a number of those present were members of the Strategic Planning Group and that the comments made would be taken forward through the appropriate arrangements.

The Performance and Audit Committee thereafter scrutinised the findings contained in the internal audit report, attached as Appendix 1 to the report circulated, which reviewed the effectiveness of workforce planning, and obtained assurance that action had been taken or agreed where necessary.

9. Internal Audit Annual Report and Opinion

There had previously been circulated a report presenting the Internal Auditor’s Annual Report and Opinion for 2025/26, for scrutiny.

Andrew Paterson informed members:

- That, in order to comply with the Global Internal Audit Standards for the UK Public Sector, internal audit had a duty to provide an annual assurance report on the overall accuracy and effectiveness of the framework of governance, risk management and control.
- That the Annual Internal Audit Report and Opinion, attached as Appendix 1 to the report circulated, summarised the audit work undertaken during 2025/26 and provided assurances on the systems examined during the financial year.
- That, based on audit work completed and a review of outstanding recommendations, the Chief Internal Auditor's opinion was that the Integration Joint Board had a framework of controls in place that provided Limited Assurance regarding its governance framework, related internal controls and the management of key risks.

- That no instances of fraud had been identified through the audit work undertaken during the year.

He advised that the report also included:

- Details of the audit work undertaken during 2025/26.
- A summary of auditable areas and audits completed over the previous three years.
- Information on Internal Audit's quality assurance and improvement arrangements.
- A summary of audit findings and the current status of recommendations arising from both current and previous years' audit work.

He further advised that all recommendations arising from the Workforce Planning audit had been accepted by management and an action plan agreed to address the findings.

Rona Gold noted that, while the report represented a summary of audit work already considered by the Performance and Audit Committee throughout the year, the overall Limited Assurance opinion was a matter of concern. She highlighted the importance of considering the findings in the wider context of Public Sector Reform and the increasingly integrated approach being taken across NHS Orkney and Orkney Islands Council. She emphasised the need to reflect on how joint working could be strengthened, duplication reduced and assurance improved across shared areas of responsibility, while recognising the challenging operating environment and the existence of separate workforce planning arrangements within partner organisations. She stressed the importance of recognising the findings of the report and ensuring they informed future discussions.

The Chair acknowledged these comments and noted that the Performance and Audit Committee's scrutiny of the report recognised and acknowledged the Limited Assurance opinion provided.

Issy Grieve noted that the report had achieved its purpose by providing assurance on the internal audit work undertaken and identifying areas requiring improvement. She expressed satisfaction with the report and suggested that, going forward, consideration should be given to identifying potential areas for internal audit through operational staff as well as senior management, to further strengthen the process.

Andrew Paterson advised that the internal audit planning process involved both the Chief Officer and Heads of Service and that any concerns raised by staff would be fed into the process through those arrangements.

The Performance and Audit Committee thereafter scrutinised the Internal Audit Annual Report and Opinion 2025/26, attached as Appendix 1 to the report circulated, and obtained assurance in respect of the overall opinion stated at section 4.2 of the report, namely that the Integration Joint Board (IJB) had a framework of controls in place that provided Limited assurance regarding the IJB’s governance framework, related internal controls, and the management of key risks.

10. Internal Audit Charter

There had previously been circulated the Internal Audit Charter for 2026/27, for consideration and approval.

Andrew Paterson advised members:

- That the Global Internal Audit Standards for the UK Public Sector required the Internal Audit Charter to be reviewed and approved annually.
- That the Charter set out the purpose, mandate, responsibilities and scope of Internal Audit, including its authority to access records, personnel and property relevant to audit work.
- That the Charter established the position of Internal Audit within the organisation, including the Chief Internal Auditor's reporting line to the Performance and Audit Committee.
- That, to ensure compliance with the standards, the Charter was based on the Institute of Internal Auditors' Model Charter.

The Performance and Audit Committee thereafter **resolved** that the Internal Audit Charter for 2026/27, attached as Appendix 1 to the report circulated, be approved.

11. Internal Audit Strategy and Plan

There had previously been circulated the Internal Audit Strategy and Plan, for consideration and approval.

Andrew Paterson advised members:

- That the Integrated Resources Advisory Group Finance Guidance recommended that Integration Joint Boards establish adequate and proportionate internal audit arrangements, with the Chief Internal Auditor developing a risk-based internal audit plan in compliance with the Global Internal Audit Standards for the UK Public Sector, and that the Internal Audit Strategy set out how the service would be developed and delivered in accordance with the Internal Audit Charter.
- That audit planning was based on a three-year rolling programme, reviewed annually and amended as required to reflect changes in the risk profile.
- That the audit plan was informed by a comprehensive risk-based planning process, including consideration of risk registers, strategic and operational plans, previous internal and external audit reports and plans, and discussions with the Chief Officer regarding areas of concern.
- That the table on page 4 of the report detailed the auditable areas within the Integration Joint Board and the proposed audit plan for the three-year period.
- That the proposed plan for 2026/27 included a corporate governance audit, incorporating a review of reporting procedures to reduce duplication and streamline reporting processes, and that the plan could be amended during the year to respond to emerging risks.

Following a query from Issy Grieve regarding the absence of audit work relating to the Integration Joint Board's commissioning role and the effectiveness of commissioned services, Andrew Paterson advised that an audit of contract managed services was included within the 2026/27 Orkney Islands Council Internal Audit Plan and that the findings could also be reported to the Performance and Audit Committee, if required.

In response to a query from Rona Gold regarding the exclusion of the Integration Scheme from the proposed audit programme, Andrew Paterson advised that the Integration Scheme had been considered as a potential audit area but, as it was currently undergoing review, it had not been considered appropriate to undertake an audit at this time. He advised that the review formed part of the Scheme's cyclical review process and that, following discussion with the Chief Officer, the audit had been deferred for consideration in a future year.

In response to a further query from Rona Gold regarding the review of the Integration Scheme and how members would be kept informed of progress, Lynda Bradford advised that she was unable to provide that information at the meeting and would refer the matter to the Chief Officer for a response.

The Performance and Audit Committee thereafter **resolved** that the Internal Audit Strategy and Plan for 2026/27, attached as Appendix 1 to the report circulated, be approved.

12. Strategic Plan Priorities Progress Report

There had been previously circulated the regular update on progress made against the six Strategic Priorities, the associated Milestones, and Actions, for scrutiny.

Shaun Hourston-Wells advised that the Strategic Plan Delivery Plan had been approved by the Integration Joint Board on 22 April 2026, subject to the inclusion of:

- The target for reducing the number of individuals waiting on a new care at home package.
- Inclusion of more actions within the Community Led Support section, if considered appropriate.
- Reference to the Housing Contribution Statement in the context of reducing fuel poverty, noting that a regular briefing would be issued on energy saving measures and the uptake of funding schemes.

He confirmed that those additions were currently being considered by officers but it was considered appropriate to report on progress against the existing content in the meantime.

He further advised that officers were working with Children's Services colleagues to ensure that the status of actions more clearly reflected the contribution of Children's Services to the delivery of each strategic priority and milestone.

He highlighted that the Strategic Plan Delivery Plan had been developed to support implementation of the Strategic Plan by setting out specific milestones for each strategic priority, together with measures to assess progress.

He continued that the Delivery Tracker, attached as Appendix 1, provided updates on three of the six strategic priorities at each meeting of the Performance and Audit Committee, ensuring that progress against each priority was reported twice annually. The priorities covered within this report were Supporting Unpaid Carers, Community Led Support, and Mental Health and Wellbeing.

He noted that, although there was no direct risk implications associated with the report itself, failure to progress the actions identified within the Delivery Tracker could impact on delivery of the Strategic Plan's priorities. Where the tracker identified actions that were at risk of delay or non-completion, these issues would be addressed through the delivery planning process and progress reported to the Performance and Audit Committee.

In response to a query from Rona Gold regarding the delayed implementation of Carer Aware training, Shaun Hourston-Wells advised that, despite an unavoidable delay arising from the absence of a key staff member, alternative arrangements had been put in place and officers remained confident that the October 2026 completion date would be achieved. He further highlighted the positive contribution of the newly appointed Carer Lead, who was making good progress in advancing the relevant milestones and actions within the Delivery Tracker.

Darren Morrow noted that, while the absence of an overarching strategic Workforce Plan had been highlighted earlier in the meeting, significant workforce planning activity was nevertheless taking place across individual teams and services.

Issy Grieve welcomed the progress reported against the strategic priorities and was pleased to note the increased recognition of Children's Services within the Delivery Plan.

Following a query from Rona Gold regarding the target date for completion of the admissions and discharge pathway action, Shaun Hourston-Wells confirmed that the date shown in the tracker was incorrect and should read 31 October 2026.

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.

13. Date and Time of Next Meeting

The Committee noted that the next meeting would be held in the Council Chamber on Wednesday, 23 September 2026 at 14:00.

Issy Grieve advised that this would be her final meeting of the Integration Joint Board, in any capacity, after eight years. She expressed her appreciation to officers for their support, patience and commitment during that period, and thanked them for their continued work to improve health and care services for the people of Orkney.

The Chair thanked Issy Grieve for her contribution to the work of the Integration Joint Board and NHS Orkney over the years and expressed appreciation for her service and commitment.

14. Conclusion of Meeting

There being no further business, the Chair declared the meeting concluded at 15:00.

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Chair's Assurance Report to the Integration Joint Board

Title of Report:	Performance and Audit Committee.	**Date of Meeting:**	24 June 2026.
Prepared By:	Cllr Lindsay Hall.	**Presented By:**	Cllr Lindsay Hall.
Purpose:	To present the unapproved minutes from the Performance and Audit Committee meeting on 24 June 2026.		

Positive Assurances:	**Decisions Made:**
• **Annual Accounts:** Assurance was received on the 2025/26 Annual Accounts and Annual Governance Statement. It was noted that there was an improved year end financial position, with performance improving by approximately £1.5 million compared with the budget. • **External Audit Action Progress:** Assurance was provided that External Audit recommendations continue to be progressed, with half of the remaining actions completed and the remainder on track for completion within agreed timescales. • **Internal Audit:** It was confirmed that there were no instances of fraud identified during 2025/26. Assurance was also provided that audit recommendations are being actively managed and addressed.	• **Internal Audit Charter:** The Charter for 2026/27 was approved, ensuring compliance with the Global Internal Audit Standards for the UK Public Sector. • **Internal Audit Strategy and Plan**: The Strategy and Plan for 2026/27 was approved. This included a risk-based audit programme and proposed audit activity for the forthcoming three year period. • **Financial Recovery Plan:** It was agreed that regular scrutiny of the Plan to be considered through future reports to the Committee, alongside the quarterly reports already being submitted to the Integration Joint Board.
Areas of Concern or Key Risks to Escalate:	**Major Actions:**
• **Internal Audit - Workforce**: Internal Audit found that the existing Integrated Workforce Plan is out of date and	• **Annual Accounts:** It was agreed that the corrected Annual Accounts would be circulated following incorporation of the

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identified the need for a refreshed Plan, clearer governance arrangements, succession planning and defined ownership of actions. • **Internal Audit:** It was concluded that the framework of controls provides Limited Assurance regarding governance, internal controls and management of key risks to the Integration joint Board. • **Financial Sustainability:** While the year end position improved, the continuing risks associated with outwith Orkney placement costs, agency staffing expenditure and the requirement to deliver savings through the Financial Recovery Plan was noted. Auditors also identified financial sustainability as a continuing risk area. • **Strategic Plan Delivery Plan:** Delays were reported in relation to Carer Aware training and amendments to the Strategic Plan Delivery Plan agreed by the IJB in April 2026 were still under consideration. It was also advised that failure to progress actions could impact achievement of the Strategic priorities.	identified amendments prior to submission to External Audit. The Committee approved the draft Annual Accounts and Annual Governance Statement subject to the corrections being made. • **Workforce Plan:** The progression of a new Integrated Workforce Plan was agreed as well as monitoring through the Strategic Planning Group.
Comments on Effectiveness of the Meeting:	
Members provided constructive challenge and scrutiny, particularly in relation to financial sustainability, workforce planning and the Limited Assurance internal audit opinion, while obtaining assurance that improvement actions and strategic priorities continue to be progressed.	