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Agenda Item: 6

## **Performance and Audit Committee.**

**Date of Meeting: 18 June 2025.**

**Subject: External Audit Actions – Progress Update.**

### **1. Purpose**

1.1. To present an update on progress with External Audit actions for members' scrutiny.

### **2. Recommendations**

The Performance and Audit Committee is invited to scrutinise:

2.1. Progress made, to date, in completing actions arising from External Audit reports, as detailed in Appendix 1 attached to this report, in order to obtain assurance that issues identified during external audits are being actioned and followed up.

### **3. Background**

3.1. External audit actions are now monitored through the Council's performance management system Ideagen Risk Management and the officers responsible for implementing the audit actions are required to provide updates on progress.

3.2. The report, attached as Appendix 1 to this report, is based on the information contained in the Ideagen system and provides the Committee with an update on progress with implementing external audit actions.

### **4. Contribution to quality**

Please indicate which of the Orkney Community Plan 2025 to 2030 values are supported in this report adding Yes or No to the relevant area(s):

<b>Resilience:</b> To support and promote our strong communities.	No.
<b>Enterprise:</b> To tackle crosscutting issues such as digital connectivity, transport, housing and fuel poverty.	No.
<b>Equality:</b> To encourage services to provide equal opportunities for everyone.	No.

<b>Fairness:</b> To make sure socio-economic and social factors are balanced.	No.
<b>Innovation:</b> To overcome issues more effectively through partnership working.	No.
<b>Leadership:</b> To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	No.

## 5. Resource and financial implications

5.1. There are no resource or financial implications associated directly with this report.

## 6. Risk, equality and climate change implications

6.1. There are no risk, equality or climate change implications associated directly with this report.

## 7. Direction required

Please indicate if this report requires a direction to be passed to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## 8. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
Orkney Islands Council.	No.

## 9. Authors and contact information

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## 10. Supporting documents

10.1. Appendix 1: External Audit Actions Progress Report.



Internal Audit

External Audit Action Progress Report

Issue date: 16 May 2025

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## Executive Summary

The Council's performance and risk management system, Ideagen Risk Management, is used to monitor the implementation of external audit actions.

When actions from external audit reports are uploaded to Ideagen, the officers responsible for implementing the actions are then required to provide updates on progress.

This report provides an update on progress with implementing the actions and highlights any actions which are overdue or have not been implemented by the agreed date.

To assist with the monitoring of actions, a traffic light system on Ideagen classifies the performance of each action as follows:

- Blue: the agreed action has been progressed to completion.
- Green: the agreed action is likely to meet or exceed its target.
- Amber: the agreed action is experiencing minor underperformance, with a low risk of failure to meet its target.
- Red: the agreed action is experiencing significant underperformance, with a medium to high risk of failure to meet its target.

The system also highlights actions which are overdue for update. The table below details the number of internal audit actions on Ideagen for each of the categories.

Red	Amber	Green	Blue	Total no of Actions	Update Overdue
5	0	0	4	9	0

## Introduction

Progress with external audit actions is monitored through the Council's performance management system Ideagen Risk Management. The system sends out automated email reminders to officers responsible for updating each action at the end of each reporting period. Where no update has been made for an action for a particular reporting period, this is noted on the system.

Actions that have been completed in previous years are not included in this report.

The table on the next pages provides detail on the individual actions, owners and target dates as well as the current position with implementation of the actions.

## Action detail

### External Audit 2019/20

Recommendations	Management Comment	Responsible Officer	Target Date	Current Position
<p>The IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.</p> <p>However, performance management information was not provided to those charged with governance throughout the financial year.</p> <p>The IJB should create a robust approach to performance management and monitor performance regularly.</p>	<p>Work is being undertaken to agree the details required in relation to regular Performance Reporting with members of the IJB, to ensure robust monitoring and governance are adhered to and used to inform planning.</p>	Chief Officer.	31 December 2020.	Complete.
	<p>Update: A performance management framework has been developed.</p> <p>The Terms of Reference of the Performance and Audit Committee has been updated to include performance within its remit.</p> <p>The Performance and Audit Committee meets quarterly with a performance report brought to every committee.</p> <p>The Integration Joint Board is working to ensure the content of the performance report is meaningful and useful for members.</p>			

### External Audit 2020/21

Recommendations	Management Comment	Responsible Officer	Target Date	Current Position
<p>A number of the governing documents have not been reviewed since 2018 and are difficult to find on the website. The IJB should ensure that key governance documents are up to date and easily accessible by the public.</p>	<p>There will be a review of documents to ensure they can be easily accessed on the website.</p>	Chief Finance Officer.	31 January 2022.	Ongoing.
	<p>Update: Work has commenced on reviewing the governance documents within the IJB webpages.</p> <p>Proposed new target date: 30 July 2025.</p>			

## External Audit 2021/22

Recommendations		Management Comment	Responsible Officer	Target Date	Current Position
<p>The four year Medium term Financial Plan identified a cumulative funding gap of between £0.6 million to £7.9 million based on different assumed scenarios. There are no proposed actions included in the plan and the IJB is yet to develop savings options. The IJB should consider developing savings options over the short to medium term to bridge the identified funding gaps.</p>		<p>There are ongoing discussions on how to ensure that services can be delivered within the available financial envelope.</p> <p>Ongoing work with Heads of Service and Financial Sustainability Office. These plans will be detailed within future iteration of Medium Term Financial Plan.</p>	Chief Finance Officer.	31 December 2022.	Ongoing.
		<p>Update: The Medium Term Financial Plan will be presented to the Integration Joint Board in July, following approval of the new three year Strategic Plan. An updated Recovery Plan will be presented to the Integration Joint Board in September 2025.</p>			

## External Audit 2022/23

Recommendations		Management Comment	Responsible Officer	Target Date	Current Position
<p>A copy of the Integration Joint Board's Financial Regulations are uploaded on the website, however these were approved in March 2016 with review scheduled for 2017 which is long past due. We recommend periodic review and update of all policy and procedures documents.</p>		<p>The revised Financial Regulations, along with revised Reserves Policy and a revised Stakeholder Representative Expenses Policy was approved by the Integration Joint Board on 30 August 2023 and have now been loaded onto the Integration Joint Board's section on the Council's website.</p> <p>The Matters Arising Log, which is considered at each meeting of the Board includes a section on regular reports received.</p>	Chief Finance Officer.	31 March 2024.	Complete.

Recommendations		Management Comment	Responsible Officer	Target Date	Current Position
The latest Medium Term Financial Plan relates to the period from 2022 to 2025 and has not been rolled forward into the current year. We recommend that the MTFP is rolled forward on an annual basis.		Agreed. The Medium Term Financial Plan will be rolled forward on an annual basis and reported to the Board.	Chief Finance Officer.	31 March 2024.	Ongoing.
		Update: The Medium Term Financial Plan will be presented to the Integration Joint Board in July 2025, following approval of the new three year Strategic Plan.			
The Medium Term Financial Plan is limited to three years and does not include any financial forecasts to cover a longer term period. The Plan should also seek to provide a longer term projection of the Board's future budget position for the next 10 years. This will allow longer term risks and issues to be identified. Although it is clear that the further away the current date that projections go the less certain the projections become, they will nevertheless allow the Board to consider longer term views and adoptions.		We recommend that longer term forecasts/plans should also be developed.	Chief Finance Officer.	31 March 2024.	Ongoing.
		Update: Following on from the approval of the Medium Term Financial Plan in July 2025, work will commence on the longer term plan following appointment of a Chief Finance Officer.			



Recommendations		Management Comment	Responsible Officer	Target Date	Current Position
<p>Despite performing better than national averages in 9 of 11 indicators, Orkney's score deteriorated in 7 out of 9 indicators in 2021/22 compared to 2019/20 related to national health and wellbeing outcomes.</p> <p>Further Orkney's ranking has gone down in relation to 5 of the 11 LGBF metrics as compared to the previous year. There is a risk of deteriorating outcomes and reputational damage. We recommend that a root cause analysis be carried out to investigate and develop and action plan against deteriorating performance.</p>		<p>A performance management framework has been developed.</p> <p>The Terms of Reference of the Performance and Audit Committee has been updated to include performance within its remit.</p> <p>The Performance and Audit Committee meet quarterly with a performance report brought to every committee. The Integration Joint Board are working to ensure the content of the performance report is meaningful and useful for members.</p>	Chief Officer.	31 March 2024.	Complete.
<p>As part of review of the minutes of the meeting, we could not identify evidence in relation to regular and periodic reporting of the status of the outstanding audit recommendations.</p> <p>There is a risk that action points are not addressed in a timely manner.</p>		<p>Progress on prior year external audit recommendations is included with the annual audit report which is considered annually by the Performance and Audit Committee.</p> <p>Progress on outstanding and completed Internal audit recommendations are included within the Chief Internal Auditor's annual audit report and opinion, presented to the Performance and Audit Committee on 28 June 2023.</p> <p>Half yearly reporting on outstanding external and internal audit recommendations have been introduced.</p>	Chief Finance Officer.	31 March 2024.	Complete.

## External Audit 2023/24

Recommendations		Management Comment	Responsible Officer	Target Date	Current Position
<p>The 2024/25 budget was approved by the Board on 19 June 2024. We note that delayed approval of the budget has resulted in the Board operating without an approved budget for a period of more than two months after the start of the relevant financial year. Furthermore, there is a risk in relation to inability to achieve balance in the short term based on the approved budget, keeping in view the actual outturn for 2023/24. A draft recovery plan was presented to the Board dated 19 June 2024. We understand that the recovery plan has not yet been approved and is fundamental to achievement of balance in the short and medium term.</p> <p>We recommend the implementation of a recovery plan to ensure achievement of short and medium term financial balance.</p> <p>We further recommend timely approval of the budget ahead of the start of the relevant financial year.</p>		<p>An updated recovery plan will be presented to the IJB in November 2024.</p> <p>There are plans to ensure the budget for 2025/26 is approved by the board before the start of the financial year.</p>	Chief Finance Officer.	30 November 2024.	Ongoing.
		<p>Update: Due to capacity and absence of a Chief Finance Officer, this has been delayed. The Recovery Plan will be presented to the Integration Joint Board in September 2025. Proposed new Target Date 30 September 2025.</p> <p>The 2025/26 Annual Budget was approved by the Integration Joint Board in April 2025.</p>			