

Sally Shaw (Chief Officer)
Orkney Health and Care
01856873535 extension: 2601
OHACfeedback@orkney.gov.uk



Agenda Item: 13

Integration Joint Board

Date of Meeting: 28 November 2018.

Subject: IJB Financial Regulations.

1. Summary

1.1. To update the financial regulations of the Integration Joint Board (IJB).

2. Purpose

2.1. The IJB is required to adopt a set of Financial Regulations; these define the financial roles and outline the financial governance for the IJB.

3. Recommendations

The Integration Joint Board is invited to note:

3.1. That the Financial Regulations, approved on 21 March 2016, have been reviewed and, although no major amendments are proposed, an anomaly with the Terms of the Reference of the Audit Committee has been highlighted.

3.2. The proposed amendments to the Financial Regulations, as detailed in section 4.6 of this report, in order to address the anomaly with the Terms of the Reference of the Audit Committee.

It is recommended:

3.3. That the revised Financial Regulations, attached as Appendix 1 to this report, be approved.

4. Background

4.1. On 21 March 2016, the IJB adopted Financial Regulations. Accordingly, it is considered good practice to review and, where appropriate, update the Regulations, at regular intervals.

4.2. In general, the Financial Regulations are still fit for purpose and no major amendments are proposed. However, an anomaly between the Financial Regulations and the Terms of Reference for the Audit Committee has been highlighted.

4.3. On 29 June 2016, the IJB considered a proposed structure of formal committees and other groups and subsequently approved terms of reference in respect of the Audit Committee, which included the following responsibilities:

- 8.13. To receive and approve the Annual Governance Statement for inclusion in the Annual Accounts.
- 8.14. To receive and approve the Annual Accounts.

4.4. However, the responsibilities above are inconsistent with the IJB Financial regulations whereby it states at 8.3 The draft annual accounts and final accounts shall be submitted to the Board and Audit Committee (if applicable) for their review and scrutiny).

4.5. As the Audit Committee is considered the appropriate forum to scrutinise the draft accounts and thereafter the final accounts, it is proposed that the Financial Regulations be amended so as to be in accordance with the approved delegation of authority.

4.6. The following amendments are therefore proposed to be incorporated within the Financial Regulations:

- 8.3. The Chief Finance Officer will prepare the draft statement of accounts and submit these to the Audit Committee and to the Controller of Audit no later than 30 June of the same year, or such date as decided prior to this date.
- 8.4. The Audit Committee will receive and approve the Annual Governance Statement for inclusion in the Annual Accounts.
- 8.5. The Audit Committee will receive and approve the Annual Accounts.

5. Committee Timeline Proposal

5.1. The following timeline in relation to the approval process for the Annual Governance Statement and Annual Accounts for financial year end 31 March 2019 is proposed:

Date.	Committee / Board.	Detail.
26/06/19.	IJB Audit Committee.	To consider and scrutinise the IJB Governance Statement and Annual Accounts.
29/08/19.	IJB Audit Committee.	To sign off the IJB Governance Statement and Annual Accounts.

5.2. The above timetable includes an additional meeting of the Audit Committee not currently scheduled, namely 26 June 2019.

5.3. The meeting of the Audit Committee currently scheduled for 29 August 2019 will now receive and approve the final accounts, rather than the draft accounts, as in previous years.

5.4. It is further proposed to retain the meeting of the Audit Committee scheduled for 25 September 2019 which, previously, would have received the final accounts, to consider any routine business. However, it has been suggested that this meeting be rescheduled to a later date, possibly during October, so that the two meetings of the Audit Committee are more evenly spaced out, namely in March and October each year.

6. Contribution to quality

Please indicate which of the Council Plan 2018 to 2023 and 2020 vision/quality ambitions are supported in this report adding Yes or No to the relevant area(s):

Promoting survival: To support our communities.	No.
Promoting sustainability: To make sure economic, environmental and social factors are balanced.	No.
Promoting equality: To encourage services to provide equal opportunities for everyone.	No.
Working together: To overcome issues more effectively through partnership working.	Yes.
Working with communities: To involve community councils, community groups, voluntary groups and individuals in the process.	Yes.
Working to provide better services: To improve the planning and delivery of services.	Yes.
Safe: Avoiding injuries to patients from healthcare that is intended to help them.	No.
Effective: Providing services based on scientific knowledge.	No.
Efficient: Avoiding waste, including waste of equipment, supplies, ideas, and energy.	Yes.

7. Resource implications and identified source of funding

7.1. There are no financial implications directly arising from this change in responsibility for approval of the Annual Accounts.

8. Risk and Equality assessment

8.1. There are no risks associate with this report. This aligns with other IJB processes and makes a positive contribution to good governance.

9. Direction Required

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

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	No.

10. Escalation Required

Please indicate if this report requires escalation to:

NHS Orkney.	No.
Orkney Islands Council.	No.
Both NHS Orkney and Orkney Islands Council.	Yes.

11. Author

11.1. Pat Robinson (Chief Finance Officer), Integration Joint Board.

12. Contact details

12.1. Email: pat.robinson@orkney.gov.uk, telephone 01856873535 extension 2601.

13. Supporting documents

13.1. Appendix 1: IJB Financial Regulations.



Financial Regulations

Orkney Integration Joint Board.

Version.	OIJB Financial Regulations 2016 V2.
Lead Manager.	Pat Robinson.
Approved by.	Integration Joint Board.
Date Approved.	TBC.
Date for Review.	TBC

Contents

1. Introduction and Observance.....	3
2. Corporate Governance	4
3. Best Value	5
4. Roles and Responsibilities.....	5
5. Financial Planning and Management.....	6
6. Virement	8
7. Reserves	9
8. Annual Accounts.....	9
9. Treasury Management.....	10
10. Reviewing the Financial Regulations.....	10
11. Legal Advice	10
12. Risk Management and Insurance	10
13. Internal Audit.....	11
14. External Audit	11
15. Fraud, Corruption and Bribery	11
16. Capital Planning.....	12
17. Control of Capital Expenditure	12
18. Board Members' Expenses.....	12
19. Petty Cash	13
20. Inventories	13
21. Income	13
22. Payroll, Travel and Subsistence	13
23. Orders for Work, Goods and Services	13
24. Payment of Accounts, Contributions and Subscriptions	13
25. Contracts for Building, Engineering and Associated Works.....	13
26. Property and Security	14
27. Internal Control and Authorisation	14
28. Retention of Financial Documents.....	14
29. VAT.....	14

The Orkney Integration Joint Board positively promotes the principles of sound corporate governance within all areas of the Board's affairs. These Financial Regulations are an essential component of the corporate governance of the Orkney Integration Joint Board.

1. Introduction and Observance

1.1. The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal assent in April. It establishes the framework for the integration of health and social care in Scotland.

1.2. Section 95 of the Local Government (Scotland) Act 1973, requires all Integration Joint Boards in Scotland to have adequate systems and controls in place to ensure the “proper administration of their financial affairs”, including the appointment of an officer with full responsibility for their governance. These Financial Regulations details the responsibilities of the Chief Finance Officer who has been appointed as the “proper officer” along with the responsibilities of the Chief Officer and Members of the Integration Joint Board.

1.3. The Integration Joint Board is a legal entity in its own right, created by Parliamentary Order following Ministerial approval of an Integration Scheme. The Orkney Integration Joint Board (OIJB) was legally established on 06 February 2016.

1.4. Both the Health Board and the Council operate under Financial Regulations/Standing Financial Instructions in the operational delivery of services. As this service delivery will continue to be carried out within the Health Board and the Council, these Financial Regulations relate specifically to the affairs of the Orkney Islands Joint Board (OIJB) itself and therefore are more limited and focused in scope. All operational and transactional finance matters for delivery of the OIJB will comply with Orkney Islands Council Financial Regulations and NHS Orkney Standing Financial Instructions.

1.5. Orkney Integration Joint Board (OIJB) was established by Scottish Ministers as a consequence of the Integration Scheme approved by Orkney Islands Council and NHS Orkney under which functions and resources are delegated to the OIJB. OIJB will direct the Council and the Health Board on how resources will be spent in line with the approved Strategic Plan, and allocate resources back to the Council and Health Board in accordance with this direction. The OIJB retains responsibility for oversight and management of expenditure within the allocated budgets.

1.6. Under Scottish Government Regulations, for all Integration Joint Boards in Scotland the Chief Officer, supported by the Chief Finance Officer must ensure that there are adequate systems and controls in place for the proper management of its financial affairs.

1.7. These Financial Regulations of the OIJB detail the responsibilities, policies and procedures in dealing with the financial affairs of the OIJB.

1.8. The Chief Officer, Chief Finance Officer and all members of the OIJB whether voting or non-voting must comply with these Regulations at all times in relation to the conduct of the IJB’s own financial affairs.

1.9. All actions that affect the OIJB’s finances should only be carried out by properly authorised employees. The Chief Officer will establish a clear and effective framework of authorisation for the OIJB.

1.10. The Chief Officer and the Chief Finance Officer will make sure that the OIJB only commits to expenditure that it is legally able to commit to and is within scope of the approved Integration Scheme and Strategic Plan. Where this is not clear, the Chief Finance Officer will consult with the Section 95 Officer of Orkney Islands Council and/or the Director of Finance of NHS Orkney. Similarly the legality of expenditure relating to new service developments, initial contributions to external organisations and responses to emergency situations will be clarified before any expenditure is committed.

1.11. If it is believed that anyone has broken, or may break, these Regulations, this must be reported immediately to the Chief Finance Officer, who may then discuss the matter with the Chief Officer to determine what action to be taken.

1.12. For the avoidance of doubt the breach of non-compliance with these Regulations may result in disciplinary action being taken against the relevant individuals in line with the policies.

1.13. The Chief Officer and other authorised persons will ensure that all expenditure within the Integration budget meets proper accounting standards.

1.14. The Chief Finance Officer will interpret the regulations and put them into practice in a way which takes account of the obligations in the OIJB's standing orders relating to contracts, if and when applicable.

1.15. The OIJB will consider and approve any alterations to these Financial Regulations. For more information or clarification on these Regulations, please contact the Chief Finance Officer.

2. Corporate Governance

2.1. Corporate governance is about the structures and processes for decision-making, accountability, controls and behaviour throughout the OIJB. The basic principles of corporate governance are as follows.

2.1.1. Openness Anyone with an interest in the affairs of the OIJB should have confidence in the decision-making and management processes and the individuals involved in them. This confidence is gained through openness in its affairs and by providing full, accurate and clear information which leads to effective and timely action and scrutiny.

2.1.2. Integrity There should be honesty, selflessness, objectivity and high standards of conduct in how the OIJB's funds and affairs are managed. Integrity depends on the effectiveness of the control framework and on the personal standards and professionalism of members and officers involved in the running of its affairs.

2.1.3. Accountability There needs to be a clear understanding by everyone involved in the OIJB's affairs of their roles and responsibilities. There should also be a process which provides appropriate independent examination of the decisions and actions of those involved in the OIJB's affairs, including how the OIJB's funds and performance are managed.

2.2. These financial regulations are an essential part of the corporate governance of the OIJB.

2.3. Members of the OIJB are required to follow any formally agreed national codes of conduct.

3. Best Value

3.1. Best Value is a continuous improvement in the performance of the OIJB's functions. In accordance with Best Value principles all proposed and current service arrangements shall be subject to review and option appraisal.

3.2. The OIJB has a duty to put in place proper arrangements for securing Best Value in the use of resources and delivery of services.

4. Roles and Responsibilities

4.1. Integration Joint Board

4.1.1. The OIJB is responsible for the planning and commissioning services. NHS Orkney and Orkney Islands Council are responsible for delivering those services.

4.1.2. The Orkney Integration Scheme sets out the detail of the integration arrangement agreed between NHS Orkney and Orkney Islands Council.

4.1.3. The OIJB will continuously work to secure best value for money, and economy, efficiency and effectiveness in how the organisation directs its resources.

4.1.4. The Board are responsible for ensuring that proper accounting records are kept which disclose at any time, the true and fair financial position and enable that financial statements comply with the Code of Practice.

4.1.5. The Board are responsible for ensuring that procedures are in place to ensure compliance with all statutory obligations.

4.2. Chief Officer

4.2.1. The Chief Officer is the accountable officer of the OIJB in all matters except finance. The OIJB must make arrangements for the proper administration of its financial affairs and appoint a Chief Finance Officer with this responsibility.

4.2.2. The Chief Officer has a direct line of accountability to the Chief Executives of NHS Orkney and Orkney Islands Council for the delivery of integrated services.

4.2.3. The Chief Officer is responsible for ensuring that progress is being made in achieving the national and local outcomes and for measuring, monitoring on the underpinning measures and indicators including finance that will demonstrate progress.

4.2.4. The Chief Officer shall ensure that the Chief Finance Officer is informed of financial matters that will have a significant impact on the Services, seeking financial advice where necessary.

4.2.5. The Chief Officer will also hold an operational role in the Health Board and Local Authority, for the management of the operational delivery of the services as directed by the OIJB.

4.2.6. The Chief Officer will discharge their duties in respect of the delegated resources by establishing and maintaining financial governance systems for the proper use of the delegated resources. They will also ensure that the Strategic Plan meets the requirement for best value in the use of the OIJB's resources.

4.3. Chief Finance Officer

4.3.1. The Chief Finance Officer will ensure they maintain strong financial management which shall be underpinned by effective controls and also contribute to corporate management and leadership.

4.3.2. The Chief Finance Officer shall ensure that proper accounting records are maintained and is responsible for the for the preparation of the Boards Financial Statements following the Code of Practice on Local Authority Accounting in the UK.

4.3.3. The Chief Finance Officer will discharge their duties in respect of the delegated resources by establishing and maintaining financial governance systems for the proper use of the delegated resources. They will also ensure that the Strategic Plan meets the requirement for best value in the use of the OIJB's resources.

4.3.4. The Chief Finance Officer (in consultation with the Chief Officer) will advise the OIJB on the financial implications of the OIJB's activities.

4.3.5. The Chief Finance Officer shall provide the Chief Officer and the Board with an annual governance statement.

4.3.6. The Chief Finance Officer shall ensure that arrangements are in place to properly establish the correct liability, process and accounting for VAT.

4.3.7. The Chief Finance Officer will ensure that budget holders receive impartial advice, guidance and support and appropriate information to enable them to effect control over expenditure and income.

4.3.8. The Chief Finance Officer shall ensure that these regulations are reviewed and updated as necessary.

5. Financial Planning and Management

5.1. Strategic Plan

5.1.1. The OIJB will approve a Strategic Plan which sets out arrangements for planning and directing the functions delegated to it by Orkney Islands Council and NHS Orkney. The Strategic Plan will cover a three-year period and will determine the budgets allocated to each operational partner for operational service delivery in line with the Plan, recognising that these may need to be indicative. The OIJB will publish its Strategic Plan as soon as practicable after finalisation of the plan.

5.1.2. The format of the Strategic Plan will be determined by the Chief Officer taking into account legislative requirements in terms of consultation and approval processes and national guidance in terms of content.

5.1.3. The Chief Officer will each year update the Strategic Plan which will incorporate a financial plan for the resources within the scope of the OIJB. The Strategic Plan will set out the level of capacity required in each year for three years in all sectors in the care pathway and the allocation of resources within the scope of the plan across the sectors. The Chief Officer will develop a case for an Integrated Budget based on the Strategic Plan for approval by the OIJB.

5.2. Annual Budget

5.2.1. The Chief Officer and the Chief Finance Officer will develop a case for the integrated budget based on the Strategic Plan and present it to Orkney Islands Council and NHS Orkney for consideration and agreement as part of the annual budget setting process.

5.2.2. The method for determining the final payment i.e. the initial base budget as at 1 April will be contingent on the respective financial planning processes of NHS Orkney and Orkney Islands Council.

5.2.3. Following agreement of the Strategic Plan and Integrated Budget by the Partners, the Chief Officer will provide directions to the Partners regarding the operational delivery of the Plan.

5.2.4. The Chief Officer is responsible for delivering the delegated services of the OIJB to NHS Orkney and the Council.

5.3. Accounting Policies

5.3.1. The OIJB is subject to the audit and accounts provisions of a body under section 106 of the Local Government (Scotland) Act 1973. The Chief Finance Officer is responsible for the preparation of the Board's Financial Statements following the Code of Practice on Local Authority Accounting in the UK.

5.4. Budget Management

5.4.1. Budget holders within the Council and NHS Orkney will be accountable for all budgets within their control as directed by the OIJB in line with its Strategic Plan. The OIJB will ensure appropriate arrangements are in place to support good financial management and planning. The OIJB must follow the agreed policies in relation to:

- Management of Integrated Budgets – Guiding Principles.
- Budget Setting.
- Scheme of Virement.
- Managing Financial Performance.
- Capital Planning.
- Reserves Policy and Strategy.

5.4.2. No expenditure shall be incurred by the OIJB unless it has been included within the approved Integration Budget and Strategic Plan, except:

- Where additional funding has been approved by NHS Orkney and/or Orkney Islands Council and the integrated budget/strategic plan updated appropriately.
- Where a supplementary budget has been approved by the Integration Joint Board.
- In emergency situations in terms of any scheme of delegation.
- As provided for in section 6 below (Virement).

5.4.3. It is the joint responsibility of the Chief Officer and the OIJB Chief Finance Officer to report regularly and timeously on all budgetary control matters, comparing projected outturn with the approved financial plan to the OIJB and other bodies as designated by Orkney Islands Council or NHS Orkney.

5.4.4. The NHS Orkney Director for Finance and the Section 95 Officer of Orkney Islands Council shall, along with the Integration Joint Board Chief Finance Officer put in place a system of the budgetary control which will provide the Chief Officer with management accounting information for both arms of the operational budget and for the Integrated Joint Board in aggregate.

5.4.5. It is the responsibility of the OIJB's Chief Officer and the Chief Finance Officer, in consultation with the NHS Orkney Director of Finance and the Section 95 Officer of Orkney Islands Council, to agree a consistent basis and timetable for the preparation and reporting of management accounting information.

5.5. Budget Monitoring

5.5.1. Orkney Islands Council Section 95 Officer and NHS Orkney Director of Finance will provide the OIJB with management accounts and forecasts to allow the Chief Finance Officer to monitor the overall financial performance of the OIJB's functions in relation to the approved Revenue Budgets.

6. Virement

6.1. Virement is defined by CIPFA as "the transfer of an underspend on one budget head to finance additional spending on another budget head, in accordance with an Authority's Financial Regulations". In effect virement is the transfer of budget from one main budget heading to another, or a transfer of budget from one service or department to another. This would also include transfers between the two arms of the operational budget.

6.2. Virements require approval and they shall be permitted subject to any Scheme of Delegation of the Integration Joint Board as follows:

6.2.1. Virement must not create additional overall budget liability. One off savings or additional income should not be used to support recurring expenditure or to create future commitments including full year effects of decisions made part way through a year. Where the virement is for £100,000 or less, involves the transfer between operational budget headings, and will not affect the execution of existing Council or NHS Board policy, the transfer shall be approved jointly by the Chief Officer and the Chief Finance Officer. Where the virement exceeds £100,000 involves the transfer

between operational budget headings, and will not affect the execution of existing Council or NHS Board policy, the transfer will require to be approved by the Integration Joint Board. All such virement of resources shall be reported to the NHS Board Director for Finance and the Section 95 Officer of the Council.

6.2.2. Where the transfer of any amount would affect the execution of existing Council or NHS Board policy, the prior approval of Council and NHS Board shall be required.

6.2.3. The Chief Officer will not be permitted to vire between the Integrated Budget and those budgets managed by the Chief Officer, but which are outside of the scope of the strategic plan, unless agreed by those bodies.

7. Reserves

7.1. The Public Bodies (Joint Working) (Scotland) Act 2014 empowers the OIJB to hold reserves, which should be accounted for in the financial accounts and records. There will be a Reserves Policy that is held outwith these Financial Regulations.

7.2. Unless otherwise agreed, any unspent budget will be transferred into the reserves of the OIJB at the end of each financial year.

8. Annual Accounts

8.1. The OIJB is subject to the audit and accounts provision of a body under section 106 of the Local Government (Scotland) Act 1973. This will require audited annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations (Section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the Local Government (Scotland) Act 1973).

8.2. The Chief Finance Officer will prepare the Annual Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (The CODE), reporting the OIJB's financial performance for the year to 31 March to the OIJB.

8.3. The Chief Finance Officer will prepare the draft statement of accounts and submit this to the Audit Committee and to the Controller of Audit no later than the 30 June of the same year, or such date as decided prior to this date.

8.4. The Audit Committee will receive and approve the Annual Governance Statement for inclusion in the Annual Accounts.

8.5. The Audit Committee will receive and approve the Annual Accounts.

8.6. The accounts of the OIJB will be hosted by Orkney Islands Council.

8.7. The Chief Finance Officer must provide any information necessary for the closure of the accounts and within prescribed timescales. Details of the information required and procedures to be followed will be issued annually by the Chief Finance Officer. The format of the accounts and the relevant notes to the accounts of the Health Board and the Council will be in line with national CIPFA and / or LASSAAC guidance.

8.8. It is the joint responsibility of the Chief Officer and Chief Finance Officer to report to the OIJB regularly, timeously and accurately updated budget monitoring reports along with explanations for any significant variations from budgets. These reports will include recovery action proposed where a year end budget variance is identified.

8.9. The Chief Finance Officer will be consulted on all reports being submitted to the OIJB to ensure that any financial implications arising have been considered. Each Board report should include a financial implications section.

8.10. It is a requirement of the Public Bodies (Joint Working) (Scotland) Act 2014 that an annual performance report is presented to the Board and the financial contents therein should comply with the requirements as set out in the Act.

8.11. The Chief Finance Officer will monitor how the Financial Regulations operate within the OIJB, and will provide the OIJB with a written framework which governs its financial affairs.

9. Treasury Management

9.1. The OIJB will not have any cash transactions and the majority of the accounting shall be via book entries within the ledgers of NHS Orkney and Orkney Islands Council.

9.2. The OIJB will not operate a bank account.

10. Reviewing the Financial Regulations.

10.1. The OIJB will consider and approve any alterations to these Financial Regulations. The OIJB may also withdraw these financial regulations. If so, this will come into force from the first working day after the end of the OIJB meeting at which the change or withdrawal was approved.

10.2. These Regulations shall be the subject of regular review by the Chief Financial Officer in consultation with the NHS Orkney Director of Finance and the Council's Section 95 Officer, and where necessary, subsequent adjustments will be submitted to the OIJB for approval.

11. Legal Advice

11.1. Orkney Islands Council and NHS Orkney will provide legal advice regarding these Financial Regulations as required in relation to the functions delegated to the OIJB.

12. Risk Management and Insurance

12.1. The OIJB shall make appropriate insurance arrangements for all activities of the OIJB in accordance with the risk management strategy. The Chief Officer shall arrange, taking such specialist advice as may be necessary, that adequate insurance cover is obtained for all normal insurable risks arising from the activities of the OIJB and for which it is the general custom to insure. This will include the provision of appropriate insurance in respect of Members of the Integration Joint Board acting in a decision making capacity.

12.2. The Chief Officer will be responsible for establishing the OIJB's risk strategy and profile and developing the risk reporting arrangements including a risk register. The risk strategy will be approved by the OIJB. The Health Board and Local Authority should continue to report risk management to the existing committees, including the impact of the integration arrangements.

12.3. The Act (Section 65(2)b)) enables, but does not require Local Authorities to become a member of the Scottish Government Clinical Negligence and Other Risks Scheme (CNORIS) a risk transfer and financing scheme. Health Boards will remain mandatory members of the scheme. The Chief Officer and the Chief Finance Officer will review the requirement for membership of CNORIS for Local Authorities on an annual basis.

12.4. The NHS Orkney Director for Finance and the Section 95 Officer of the Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

13. Internal Audit

13.1. NHS Orkney and Orkney Islands Council shall decide upon the internal audit service to review internal control systems operated within the OIJB and decide upon whether the Chief Internal Auditor and internal audit team from either the Health Board or the Local Authority shall be the incumbent. Internal audit shall independently and objectively examine, evaluate and report on the adequacy of internal control, governance and risk management arrangements within the OIJB.

14. External Audit

14.1. The Chief Finance Officer will ensure the presentation of all External Audit reports including reports on the audited Annual Accounts to the OIJB and make such reports available to the Health Board and Local Authority.

14.2. In consultation with Orkney Islands Council, which hosts the annual accounts, the Chief Finance Officer will make appropriate arrangements for the public inspection of the OIJB's Accounts.

15. Fraud, Corruption and Bribery

15.1. The term 'fraud' in its widest sense can be defined as 'the use of deception with the intention of obtaining an advantage, avoiding an obligation, or causing loss to a third party'.

15.2. Every member of the OIJB and its representatives shall observe these Financial Regulations within the sphere of their responsibility. They have a duty to bring to the immediate attention of the Chief Financial Officer/ Chief Internal Auditor any suspected fraud or irregularity in any matter that would contravene these regulations.

15.3. When a matter arises where it is suspected that an irregularity exists in the exercise of the functions of the OIJB, the Chief Finance Officer in conjunction with the Chief Internal Auditor and the Chief Officer, will take such steps as may be considered necessary by way of investigation and report.

15.4. It is the duty of each member to comply with the respective policies within the Council and NHS.

16. Capital Planning

16.1. It is unlikely that the OIJB will be empowered to own capital assets and the VAT regimes of the Local Authority and Health Board will apply to capital assets used to provide delegated services.

16.2. The Chief Officer annually, in consultation with Orkney Islands Council and NHS Orkney, will prepare a Capital Plan to make best use of existing resources and identify the asset requirements to support the Strategic Plan.

16.3. The Capital Plan will be submitted to the OIJB for approval.

16.4. Business cases will be prepared by the Chief Officer and Chief Finance Officer and submitted to Orkney Islands Council and/or NHS Orkney's Capital Planning Group or equivalent for approval.

16.5. Where new capital investment is required to deliver the Strategic Plan both partners should consider the Business Plan.

17. Control of Capital Expenditure

17.1. The OIJB does not receive a capital funding allocation. Capital projects are funded by either Orkney Islands Council or NHS Orkney and expenditure will be controlled in accordance with their financial regulations.

17.2. The OIJB will receive financial monitoring reports from both partners which include information on capital expenditure against approved schemes relevant to the services delegated to the OIJB.

17.3. In matters relating to capital planning and expenditure, the Capital Planning Guidance developed for the partnership should be followed.

18. Board Members' Expenses

18.1. Payment of voting Board Members' allowances will be the responsibility of the Members' individual Council or Health Board, and will be made in accordance with their own Schemes.

18.2. Members are entitled to payment of travel and subsistence expenses relating to approved duties. Members are required to submit claims on the OIJB's agreed expenses claim form and as far as practicable to provide receipts in support of any expenses claimed.

18.3. Non-voting members of the OIJB will be entitled to payment of travel expenses. They are required to submit claims on the OIJB's agreed expenses claim form and as far as practicable to provide receipts in support of any expenses claimed. The costs relating to expenses incurred by the non-voting members of the OIJB will be shared equally by the Health Board and the Council.

18.4. The Chief Finance Officer will ensure that a record of all expenses paid under the Scheme, detailing name, amount and nature of payment will be maintained.

19. Petty Cash

19.1. The OIJB's Petty Cash requirements will be provided for by the host partner which is the Local Authority. The OIJB will not hold petty cash.

20. Inventories

20.1. All items of equipment, plant, machinery, vehicles, computer equipment, software and other similar items will be held by the parent bodies.

21. Income

21.1. The only receipts to be processed through the books of accounts of the OIJB will be the allocations from the parent organisations and the directions to the parent bodies. This will not be in cash but transactions through the ledger. All other income, charges, and grants will be processed through the parent organisations. All arrangements for the collection, custody, control and banking of cash will be made by the parent organisations.

22. Payroll, Travel and Subsistence

22.1. The Chief Officer and the Chief Finance Officer of the OIJB will be employees of either the Health Board or the Council and the employing organisation is responsible for payment of salaries and expenses, it is essential that the OIJB has systems in place to ensure timeous and accurate information is passed to that organisation's Payroll Section.

22.2. The Chief Finance Officer will ensure all costs in relation to the OIJB are identified so as to be included in the Annual Accounts of the OIJB.

23. Orders for Work, Goods and Services

23.1. The method of purchasing has a major impact on the Value for Money obtained. All procurement will be made via the normal procurement route of the parent organisations and in accordance with those organisations' Standing Financial Instructions/Financial Regulations and Codes relating to Contracts. This applies also to orders for computer hardware, software and telecommunications.

24. Payment of Accounts, Contributions and Subscriptions

24.1. All payments will be made via the accounts payable processes of the parent organisations and in accordance with those organisations' Standing Financial Instructions or Financial Regulations as appropriate.

25. Contracts for Building, Engineering and Associated Works

25.1. Non-current assets are owned by the parent organisations which will arrange for any required maintenance works to be undertaken. All contracts placed for

maintenance works will be procured in accordance with the parent organisations' Standing Financial Instructions or Financial Regulations as appropriate. All payments for this work will be made via the accounts payable processes of the parent organisations and in accordance with the parent organisations' Standing Financial Instructions or Financial Regulations as appropriate.

26. Property and Security

26.1. All non-current assets and associated liabilities remain with Orkney Islands Council and NHS Orkney.

27. Internal Control and Authorisation

27.1. The OIJB requires that the Chief Officer and the Chief Finance Officer be accountable. This means they will understand and accept responsibility for their actions. Employees engaged in financial administration must therefore:

27.1.1. Be capable of performing work allocated to them.

27.1.2. Devote sufficient time to carry out their duties properly.

27.1.3. Undertake their tasks efficiently.

27.1.4. Be demonstrably above reproach.

28. Retention of Financial Documents

28.1. The Chief Officer and Chief Finance Officer will ensure that arrangements are in place for the proper management of financial, legal and other documents and that these documents are retained in accordance with any specific statutory requirements, including the Data Protection Act, the Freedom of Information (Scotland) Act, and any approved IJB management policies and procedures.

The accounting records will be held by Orkney Islands Council on behalf of the OIJB.

28.2. The Head of Legal Services will determine the retention periods for specific documents.

29. VAT

29.1. HMRC have confirmed in writing that there is no VAT registration requirement for the OIJB under the VAT Act 1994. This is on the basis that the OIJB is not delivering any supplies that fall within the scope of VAT and as there is no consideration received by the OIJB for the production of the plan this will not alter the VAT registration position.

29.2. The OIJB, Local Authority should be aware that, due to their different VAT status, the total VAT reclaimed by them will change over time as the profile of services provided by the Health Board and Local Authority respectively, changes in line with the Strategic Plan. Therefore:

29.3. If the OIJB directs a shift in spend that results in the Health Board and Local Authority spending more/less on the services they already deliver (i.e. the Health

Board on health functions and the Local Authority on social care functions). In this case, the Health Board and Local Authority will recover VAT on their supplies in the usual way, which may result in an overall VAT leakage or a VAT gain depending on the direction of the shift in spend.

29.4. If the OIJB directs the Health Board to provide some social care functions and/or the Local Authority to provide some health care functions the VAT that should be charged/claimed will need to be invoiced/claimed to the host partner.