

**ARGYLL AND BUTE INTEGRATION JOINT BOARD
FINANCIAL REGULATIONS
V2.0**

Document control

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1. SCOPE AND OBSERVANCE

- 1.1. Argyll and Bute Integration Joint Board is a legal entity created by Parliamentary Order, following Ministerial approval of the Integration Scheme. It is accountable for the stewardship of public funds and is expected to operate under public sector best practice governance arrangements. Stewardship is a function of management and, therefore, a responsibility placed upon the appointed members and officers of the Integration Joint Board, in particular:

Section 95 of the Local Government (Scotland) Act 1973 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs, including:

- Approve the financial systems;
- Approve the duties of officers operating these systems; and
- Maintain a written description of such approved financial systems including a list of specific duties.

- 1.2. These financial regulations should be read in conjunction with the Standing Financial Instructions of NHS Highland and the Financial Regulations and Codes of Financial Practice of Argyll and Bute Council, which would apply to resources transferred to them by the Integration Joint Board.

- 1.3. Elected and appointed Members of the Integration Joint Board together with Officers appointed or seconded to the Integration Joint Board or Officers of NHS Highland and Argyll and Bute Council managing resources on behalf of the Integration Joint Board have a duty to abide by the highest standards of probity in dealing with financial issues. This is achieved by ensuring everybody is clear about the standards to which they are working and the controls in place to ensure these standards are met.

- 1.4. The key controls and control objectives for financial management standards are:

- The promotion of the highest standards of financial management by the Board;
- A monitoring system to review compliance with the financial regulations;
- Preparation and approval of an annual budget;
- Regular comparisons of actual and forward projection of financial performance with planned/budgeted performance that are reported to the Integration Joint Board, NHS Highland and Argyll and Bute Council;
- Preparation of appropriate documents that inform the medium term financial planning and decision making of the Integration Joint Board;
- An effective and independent internal audit function; and
- Preparation of annual accounts to be submitted for external audit.

2. FINANCIAL MANAGEMENT AND PERFORMANCE

2.1. RESPONSIBILITY OF THE INTEGRATION JOINT BOARD

2.1.1. The Integration Scheme sets out the detail of the integration arrangement agreed between NHS Highland and Argyll and Bute Council. In relation to financial management it specifies:

- The establishment of Argyll and Bute Integration Joint Board as a “joint operation” as defined by IFRS 11;
- The Integration Joint Board will make arrangements for the proper administration of its financial affairs by appointing a Chief Financial Officer to discharge the responsibilities within Section 95 of the Local Government (Scotland) Act 1973;
- The financial management arrangements including treatment of budget variances;
- Reporting arrangements between the Integration Joint Board, NHS Highland, and Argyll and Bute Council;
- The method for determining the resources to be made available by NHS Highland and Argyll and Bute Council to the Integration Joint Board; and
- The functions which are delegated to the Integration Joint Board by NHS Highland and Argyll and Bute Council.

2.1.2. The Integration Joint Board will lead the preparation of the Strategic Plan with its stakeholders. The requirements include:

- The payment from Argyll and Bute Council to the Integration Joint Board for delegated social care services; and
- The payment from NHS Highland to the Integration Joint Board for delegated primary and community healthcare services and for those delegated hospital services managed by the Chief Officer.

2.2. RESPONSIBILITY OF THE CHIEF OFFICER

2.2.1. The Chief Officer is the accountable officer of the Integration Joint Board. The Chief Officer will discharge their duties in respect of the delegated resources by:

- Ensuring that the strategic plan meets the requirement for economy, efficiency and effectiveness in the use of the Integration Joint Board’s resources; and
- Giving directions to NHS Highland and Argyll and Bute Council that are designed to ensure resources are spent in accordance with the plan; it is the responsibility of the Chief Officer to ensure that the provisions of the directions enable them to discharge their responsibilities within available resources.

2.2.2. In his/her operational role within NHS Highland and Argyll and Bute Council, the Chief Officer has no “accountable officer” status but is:

- Accountable to the Chief Executive of NHS Highland for the financial management of the revenue budget; and
- Accountable to the Chief Financial Officer (Section 95 officer) of Argyll and Bute Council for the financial management of the revenue budget; and
- Accountable to the Chief Executive of NHS Highland and the Chief Executive of Argyll and Bute Council for the operational performance of the services managed by the Chief Officer.

2.3. **RESPONSIBILITY OF THE CHIEF FINANCIAL OFFICER**

2.3.1. The Chief Financial Officer is the proper officer for the purposes of Section 95 of the Local Government (Scotland) Act 1973. The Chief Financial Officer has a statutory duty to ensure proper administration of the financial affairs of the Integration Joint Board. The Chief Financial Officer may issue financial instructions to clarify any of the matters set out in these financial regulations.

2.3.2. The Chief Financial Officer will work closely with the Chief Officer, the Director of Finance of NHS Highland, the Section 95 Officer of Argyll and Bute Council and the Audit Committee of the Integration Joint Board to ensure effective management of the financial resources.

2.3.3. The Integration Joint Board will have regard to the current CIPFA guidance on the role of the Chief Financial Officer in Local Government and any Scottish Government or professional guidance in the operating parameters of the Chief Financial Officer.

2.3.4. CIPFA’s guidance sets out five key roles for the Chief Financial Officer:

- Maintaining strong financial management underpinned by effective financial controls;
- Supporting and advising members of the Integration Joint Board;
- Contributing to corporate management and leadership;
- Supporting and advising officers in their operational roles; and
- Leading and managing an effective and responsive financial service.

2.3.5. The Chief Financial Officer and 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; and
- Ensuring that the Strategic Plan meets the requirement for best value in the use of the Integration Joint Board’s resources.

2.4. RESPONSIBILITY OF HEALTH BOARD ACCOUNTABLE OFFICER; NHS HIGHLAND DIRECTOR OF FINANCE & SECTION 95 OFFICER OF ARGYLL AND BUTE COUNCIL

- 2.4.1. The Health Board Accountable officer and the Section 95 Officer of Argyll and Bute Council discharge their responsibility - as it relates to the resources that are delegated to the Integration Joint Board - by setting out in the Integration Scheme the purpose for which resources are used and the systems and monitoring arrangements for financial performance management. It is their responsibility to ensure that the provisions of the Integration Scheme enable them to discharge their responsibilities in this respect.
- 2.4.2. The NHS Highland Director of Finance and the Section 95 Officer of Argyll and Bute Council will provide specific advice and professional support to the Chief Officer and Chief Financial Officer to support the production of the Strategic Plan and to ensure that adequate systems of internal control are established by the Integration Joint Board.
- 2.4.3. The NHS Highland Director of Finance and the Section 95 Officer of Argyll and Bute Council will provide ongoing support and advice to the Chief Officer and Chief Financial Officer in the delivery of operational services within NHS Highland and Argyll and Bute Council.

3. FINANCIAL PLANNING

- 3.1. The Integration Joint Board is responsible for the production of a Strategic Plan that sets out the services for their population over a three year term. This should include, or align with, the financial plan or budget.
- 3.2. NHS Highland and Argyll and Bute Council will provide indicative three year rolling funding allocations to the Integration Joint Board to support the Strategic Plan and medium term financial planning. Such indicative allocations will remain subject to annual approval by both organisations.
- 3.3. It is the responsibility of the Chief Officer and the Chief Financial Officer to develop a business case (or budget) for the Integration Joint Board based on the Strategic Plan and to present this to NHS Highland and Argyll and Bute Council for consideration and agreement within each organisation's budget setting process. This should take account of factors such as:
 - Activity Changes - The impact on resources in respect of increased demand (e.g. demographic and morbidity changes) and for planned activity changes;
 - Cost inflation - Pay and supplies cost increases;
 - Efficiencies - All savings (including increased income opportunities and

service rationalisations/cessations) should be agreed between the Integration Joint Board, NHS Highland and Argyll and Bute Council as part of the financial planning process to ensure transparency;

- Performance on outcomes - The potential impact of efficiencies on agreed outcomes must be clearly stated and open to challenge by NHS Highland and Argyll and Bute Council.
- Legal requirements - Legislation may entail expenditure commitments that should be considered in adjusting the payment;
- Budget savings required to ensure budgeted expenditure is in line with the funding available including an assessment of the impact and risks associated with these savings; and
- Due diligence of the NHS Highland and Argyll and Bute Council contributions.

3.4. The method for the determination of contributions to the Integrated Budget is stated in the Integration Scheme.

4. LIMITS ON EXPENDITURE

4.1. No expenditure will be incurred by the Integration Joint Board unless it has been included within the approved Integration Budget and Strategic Plan, except:

- Where additional funding has been approved by NHS Highland and/or Argyll and Bute Council and the Integrated Budget/Strategic Plan updated appropriately; or
- Where a supplementary budget has been approved by the Integration Joint Board; or
- In emergency situations within the terms of the scheme of delegation; or
- As provided for in the Virement rules as described in paragraph 5 below.

5. VIREMENT

5.1. Virement is the transfer of an underspend on one budget head to finance additional spending on another budget head. It is the transfer of budget from one main budget heading (employee costs, supplies and services etc), to another, or from one service to another.

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

- Virement must not create an 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 involves the

transfer of up to £100,000 between operational budget headings, and will not affect the execution of existing Integration Joint Board policy, the transfer will be approved jointly by the Integration Joint Board Chief Financial Officer and Chief Officer.

- Where the amount is over £100,000 or where the transfer of any amount would affect the execution of existing Integration Joint Board policy, approval of the Integration Joint Board is required.
- 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.

6. FINANCIAL MONITORING

6.1. The Chief Financial Officer will provide comprehensive financial monitoring reports that are timely, relevant and reliable to the Integration Joint Board on a regular basis (at least quarterly). These reports will set out information, analysis and explanation on:

- Actual expenditure and budget for the year to date;
- Forecast outturn against annual budget;
- Significant variances from budget;
- Action required in respect of significant variances;
- Progress with achievement of any budgetary savings;
- Financial risks;
- Use of reserves; and
- Issues in relation to the review of medium and longer term financial strategy to support delivery of the 3 year strategic plan.

6.2. A copy of the regular financial report to the Integration Joint Board, described in 6.1 above, will be shared with both partners in advance and will be publicly available. Following consideration of the regular financial report by the Integration Joint Board the Chief Financial Officer will promptly advise the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council on the outcome.

6.3. The Chief Financial Officer will report monthly to the Chief Officer on the financial performance and position, where appropriate liaising with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council. These reports will be timely, relevant and reliable and will include information, analysis and explanation in relation to:

- Reviewing the 3 year strategic plan;
- Reviewing the medium and longer term financial strategy to support delivery of the 3 year strategic plan;

- Review of the annual budget setting process;
- Reviewing budget savings proposals;
- Actual income and expenditure;
- Forecast outturns and annual budget;
- Explanations of significant variances;
- Reviewing action required in response to significant variances;
- Identifying and analysing financial risks; and
- Use of reserves.

6.4. The Chief Financial Officer will work with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council to ensure managers are provided with monthly financial reports that are timely, relevant and reliable. These reports will include information and analysis in relation to:

- Budget available to managers;
- Actual income and expenditure; and
- Forecast outturns.

6.5. Managers are required to:

- Review and consider the financial reports provided by the Chief Financial Officer;
- Provide updated forecast outturn information;
- Provide explanations of significant variances;
- Identify action required to address significant variances;
- Identify and assess financial risks;
- Identify and assess future medium to longer term budget implications; and
- Report progress with delivery of savings to the Chief Financial Officer.

6.6. The Chief Finance Officer will work with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council to support managers in discharging these requirements.

7. VARIATIONS FROM PLANNED EXPENDITURE

7.1. Managers must report any potential deviation from the planned outturn to the Chief Financial Officer at the earliest opportunity.

7.2. Where instructed by the Chief Financial Officer managers must prepare a report that identifies the cause of the forecast overspend and sets out proposals for a recovery plan to address the forecast overspend and return to a breakeven position. This report is to be provided to the Chief Financial Officer who in conjunction with the Chief Officer will consider the action required.

- 7.3. Variations from planned outturn and recovery plans will be incorporated into the regular financial reports to the Integration Joint Board and Chief Officer and through these reports will also be advised to the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council.
- 7.4. Where a potential deviation from planned outturn is significant and there is a reasonable likelihood of it materialising then this along with a proposed recovery plan should be reported by the Chief Financial Officer to the Chief Officer and the Integration Joint Board at the earliest opportunity. In such cases these reports will also be submitted to the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council.
- 7.5. A recovery plan should aim to bring the forecast expenditure of the Integration Joint Board back in line with the budget within the current financial year. Where an in year recovery cannot be achieved then any recovery plan that extends into later years should ensure that over the period of the strategic plan forecast expenditure does not exceed the resources made available. Where a recovery plan extends beyond the current year the amount of any shortfall or deficit carried forward cannot exceed the reserves held by the Integration Joint Board. Any recovery plan extending beyond in year will require prior approval of NHS Highland and Argyll and Bute Council in addition to the Integration Joint Board.
- 7.6. Where recovery plans are unsuccessful and an overspend occurs at the financial year end, and there are insufficient reserves to meet the overspend, then the parties will be required to make additional payments to the Integration Joint Board. Where there is a requirement for additional payments an analysis of the requirement for additional payments will be carried out by the Chief Financial Officer to determine the extent to which they relate to either budgets delegated back to or activities managed by NHS Highland or Argyll and Bute Council with the allocation of the additional payments being based on the outcome of this analysis. Any additional payments by NHS Highland and/or Argyll and Bute Council may then be deducted from future years funding/payments.
- 7.7. The Integration Joint Board may retain any underspend to build up its own reserves however this will be subject to review as part of the general financial management and budgeting arrangements for NHS Highland and Argyll and Bute Council.

8. REPORTS TO THE INTEGRATION JOINT BOARD

- 8.1. All reports to the Integration Joint Board and sub-committees thereof must specifically identify the extent of any financial implications. These must have been

discussed and agreed with the Chief Financial Officer prior to lodging of reports.

9. LEGALITY OF EXPENDITURE

- 9.1. It will be the duty of the Chief Officer to ensure that no expenditure is incurred, or included within the Strategic Financial Plan unless it is within the power of the Integration Joint Board. In cases of doubt the Chief Officer should consult the respective legal advisors of NHS Highland and/or Argyll and Bute Council before incurring expenditure. Expenditure on new service developments, contributions to other organisations and responses to new emergency situations which require expenditure, must be clarified as to legality prior to being incurred.

10. RESERVES

- 10.1. Legislation, under Section 106 of the Local Government (Scotland) Act 1973 empowers the Integration Joint Board to hold reserves, which should be accounted for in the financial records of the Integration Joint Board.
- 10.2. Unless otherwise agreed any unspent funds will be transferred into reserves of the Integration Joint Board at the end of each financial year.
- 10.3. A policy on reserves will be prepared by the Chief Financial Officer and submitted to the Integration Joint Board for approval. The Chief Financial Officer must consult with Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council in preparing the policy on reserves. The Policy should be reviewed annually.
- 10.4. The Integration Joint Board may earmark amounts within reserves for specific purposes. Proposals for earmarking of amounts within reserves must be approved by the Integration Joint Board. Prior to consideration by the Integration Joint Board proposals to earmark amounts within reserves should be submitted to the Chief Officer and Chief Financial Officer of the Integration Joint Board and shared with the Director of Finance of NHS Highland and Section 95 Officer of Argyll and Bute Council for comment.
- 10.5. The Chief Financial Officer will report regularly to the Integration Joint Board throughout the year (at least quarterly) on the level of reserves and expenditure against earmarked amounts. This report will also be shared with the Director of Finance of NHS Highland and Section 95 Officer of Argyll and Bute Council.
- 10.6. As any underspend will be held by Argyll and Bute Council on behalf of the Integration Joint Board and only adjusted through subsequent allocations from the Integration Joint Board no interest will be credited to the Integration Joint

Board for balances held.

11. FINANCIAL STATEMENTS

- 11.1. The legislation requires that the Integration Joint Board is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973 (Section 13). This requires 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).
- 11.2. Unaudited financial statements will be prepared and circulated to members of the Integration Joint Board and its Audit Committee in accordance with relevant legislation and professional guidance. The audit of financial statements will be completed and audited financial statements and the auditors' report on the financial statements will be considered by the Integration Joint Board and its Audit Committee in accordance with legislative requirements and professional guidance.
- 11.3. Financial statements will be prepared to comply with the Code of Practice on Local Authority Accounting and other relevant professional guidance.
- 11.4. The financial statements will be signed in line with the governance arrangements for the integrated joint boards and as specified in regulations under section 105 of the Local Government (Scotland) Act 1973.
- 11.5. Following the end of the financial year the Chief Financial Officer will report to the Integration Joint Board on actual outturn income and expenditure compared to budget for the preceding financial year with an explanation of significant variances.
- 11.6. A copy of the unaudited accounts, audited accounts, auditors report on the accounts, audit certificate and report on outturn income and expenditure compared to budget will be submitted to the Director of Finance of NHS Highland and Section 95 Officer of Argyll and Bute Council prior to consideration by the Integration Joint Board.
- 11.7. The Chief Financial Officer will supply any information required to support the development of the year-end financial statements and annual report for both the NHS Highland and Argyll and Bute Council.
- 11.8. The Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council will supply the Chief Financial Officer with any information required to support the development of the year-end financial statements and

annual report of the Integration Joint Board.

- 11.9. Prior to 31 January each year the Chief Financial Officer will agree with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council a procedure and timetable for the coming financial year end for reconciling payments and agreeing any balances.
- 11.10. Sufficiently in advance of the end of the relevant financial year the Chief Financial Officer will prepare and issue to relevant staff guidance, instructions and a timetable in relation to the procedures to be followed at the end of the financial year and to support preparation of the financial statements. The guidance, instructions and timetable will be shared with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council.
- 11.11. Sufficiently in advance of the end of the relevant financial year the Chief Financial Officer will submit a report to the Audit Committee of the Integration Joint Board summarising the arrangements in hand for the end of the financial year and preparation and audit of the financial statements. This report will be shared with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council.

12. FINANCIAL RECORDS

- 12.1. The Chief Financial Officer is responsible for ensuring appropriate systems and processes are in place to:
 - Allow execution of financial transactions;
 - Ensure an effective internal control environment over such transactions;
 - Maintain a record of the income expenditure, assets and liabilities of the Integration Joint Board;
 - Enable reporting of the financial performance and position of the Integration Joint Board; and
 - Maintain records of budgets, savings, forecast outturns, variances, variance explanations, proposed remedial actions and financial risks.
- 12.2. Where funds are allocated to Argyll and Bute Council by the Integration Joint Board for operational delivery of services on behalf of the Integration Joint Board, all financial transactions and activities will be processed, recorded and undertaken using the existing financial systems of Argyll and Bute Council and in compliance with all of the requirements defined in the financial regulations of Argyll and Bute Council.
- 12.3. Where funds are allocated to NHS Highland by the Integration Joint Board for operational delivery of services on behalf of the Integration Joint Board, all

financial transactions and activities will be processed, recorded and undertaken using the existing financial systems of NHS Highland and in compliance with all of the requirements defined in the financial regulations of NHS Highland.

- 12.4. NHS Highland will initially maintain the accounts of the Integration Joint Board under the direction of the Chief Financial Officer. This will be subject to review annual by the Chief Financial Officer to ensure that the financial information needs of the Integration Joint Board are met. The Chief Financial Officer, in consultation with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute council, will determine which partner maintains the accounts of the Integration Joint Board.
- 12.5. As and when required the Chief Financial Officer, after consulting the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council, will report the outcome of any review of the arrangements for maintaining financial records and systems and the proposed actions to the Integration Joint Board.

13. CAPITAL EXPENDITURE AND NON-CURRENT ASSETS

- 13.1. The Integration Joint Board will not receive any capital allocations, grants or have the power to invest in capital expenditure nor will it own any property or other non-current assets. Argyll and Bute Council and NHS Highland will:
 - Continue to own any property or non-current assets used by the Integration Joint Board;
 - Have access to sources of funding for capital expenditure; and
 - Manage and deliver capital expenditure on behalf of the Integration Joint Board.
- 13.2. The Chief Officer will work with the relevant officers in NHS Highland and Argyll and Bute Council to prepare and maintain the asset registers of property and non-current assets used by the Integration Joint Board.
- 13.3. The Chief Officer will work with the relevant officers in NHS Highland and Argyll and Bute Council to prepare an asset management plan for the Integration Joint Board to be approved by the Integration Joint Board within a timescale to be agreed annually by NHS Highland and Argyll and Bute Council. The asset management plan will set out suitability, condition, risks, performance and investment needs related to existing property and other non-current assets identifying any new or significant changes to the asset base.
- 13.4. Alongside the asset management plan the Chief Officer will work with the relevant officers in NHS Highland and Argyll and Bute Council to prepare a bid

for capital funding for property and other non-current assets used by the Integration Joint Board. This should be approved by the Integration Joint Board within a timescale to be agreed annually with NHS Highland and Argyll and Bute Council. A business case approach should be adopted to set out the need and assess the options for any proposed capital investment. Any business case will set out how the investment will meet the strategic objectives of the Integration Joint Board and set out the associated revenue costs.

- 13.5. Whilst responsibility for managing and delivery of capital expenditure remains the responsibility of NHS Highland and Argyll and Bute Council the relevant officers in NHS Highland and the Council will work with the Chief Officer to report regularly on progress with capital expenditure related to property or other non-current assets used by the Integration Joint Board.
- 13.6. Argyll and Bute Integration Joint Board, the Council and NHS Highland will work together to ensure capital expenditure and property or other non-current assets are used as effectively as possible and in compliance with the relevant legislation on the use of public assets.
- 13.7. Depreciation of property or other non-current assets used in the services within the scope of the Integration Joint Board will be charged to the accounts of the Integration Joint Board and incorporated in the budgets and payments to the Integration Joint Board.
- 13.8. Revenue costs from property and other non-current assets used in the services within the scope of the Integration Joint Board will be charged to the accounts of the Integration Joint Board and incorporated in the budgets and payments to the Integration Joint Board.
- 13.9. Any gains or losses on disposal of property and other non-current assets used in the services within the scope of the Integration Joint Board will be retained within the accounts of the NHS Highland or Argyll and Bute Council and not charged to the Integration Joint Board.
- 13.10. Capital receipts will be retained by NHS Highland or Argyll and Bute Council.

14. VAT

- 14.1. Argyll and Bute Integration Joint Board will apply and treat VAT in accordance with the professional guidance issued by the Integrated Resources Advisory Group established by the Scottish Government and will adapt its practices and processes in accordance with any changes to the Integrated Resources Advisory Group professional guidance.

15. PROCUREMENT/COMMISSIONING OF SERVICES

- 15.1. The Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014/285 provides that the Integration Joint Board may enter into a contract with any other person in relation to the provision to the Integration Joint Board of goods and services for the purpose of carrying out the functions conferred on it by the Act.
- 15.2. The commissioning and procurement of goods and services undertaken by the partners on behalf of the Integration Joint Board will be subject to the financial regulations and procurement strategy and procedures of the partner that procures/commissions the goods and services.
- 15.3. As a result of VAT and accounting issues associated with the Integration Joint Board contracting directly for the provision of goods and services the Chief Officer is required to consult with the NHS Highland Director of Finance, the Section 95 Officer of Argyll and Bute Council and the Integration Joint Board Chief Financial Officer prior to any direct procurement exercise.

16. IJB MEMBERS' EXPENSES, GIFTS, HOSPITALITY AND REGISTER OF INTERESTS

16.1 IJB MEMBERS' EXPENSES

- 16.1.1 Members of the Argyll and Bute Integration Joint Board and associated governance groups and committees will from time to time incur expenses in performing their duties. A policy has been approved to ensure that all Members are appropriately reimbursed for expenditure necessarily incurred in performing their duties.
- 16.1.2 Members of the IJB who are Argyll and Bute Council elected members or NHS Board members or employees of either organisation will continue to claim business expenses in accordance with the policy of their respective organisations. This policy therefore covers all other IJB Members and includes individual members who represent the views of carers or people who use services. These members are recruited as volunteers under NHS Highland's volunteering policy and procedures and related policy for out of pocket expenses for volunteers.
- 16.1.3 Expenses will only be reimbursed where wholly, exclusively and necessarily incurred on IJB business and are supported by receipts or other evidence. The Chief Officer's Personal Assistant will ensure that a record of all expenses paid under this policy is maintained.

16.2 GIFTS, HOSPITALITY AND REGISTER OF INTERESTS

- 16.2.1 Members and employees should comply with the IJB's code of conduct when offered gifts, gratuities and hospitality. Argyll and Bute Council and NHS Highland

both maintain a register of gifts and hospitality offered. A separate central register will be maintained by the IJB's Standards Officer for all IJB Members which includes individual members who represent the views of carers or people who use services.

17. AUDIT

17.1. INTEGRATION JOINT BOARD AUDIT COMMITTEE

17.1.1. Argyll and Bute Integration Joint Board will establish an Audit Committee to be responsible for overseeing the system of corporate governance and internal controls. The Audit Committee should operate in accordance with professional guidance for Audit Committees. The Integration Joint Board will approve terms of reference for the Integration Joint Board Audit Committee. The Audit Committee will ensure effective liaison and co-ordination between internal and external audit activity.

17.1.2. The Audit Committee will review the terms of reference annually and report any proposed changes to the Integration Joint Board for consideration.

17.1.3. The terms of reference for the Audit Committee and the outcome of the annual review of the terms of reference will be shared with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council for consultation prior to consideration by the Integration Joint Board.

17.1.4. The Audit Committee will prepare a report for submission to the Integration Joint Board following the end of each financial year summarising the work of the Audit Committee during the year and the Audit Committee's opinion on the effectiveness of arrangements for corporate governance and internal controls. A copy of this report will be shared with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council.

17.2. EXTERNAL AUDIT

17.2.1. The Accounts Commission will appoint the external auditors to the Argyll and Bute Integrated Joint Board. The external auditor will submit an annual external audit plan to the Audit Committee prior to the start of each audit year. All reports prepared by the external auditor will be submitted to the Audit Committee. Copies of all external audit reports will also be shared with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council.

17.3. INTERNAL AUDIT

17.3.1. Argyll and Bute Integration Joint Board will establish adequate and proportionate internal audit arrangements to review the adequacy of the

arrangements for risk management, governance and control of the delegated resources.

- 17.3.2. The Integration Joint Board will appoint a Chief Internal Auditor to provide internal audit services. The Chief Internal Auditor will report to both the Audit Committee and Chief Officer of the Integration Joint Board. The Chief Internal Auditor of Argyll and Bute Integration Joint Board will liaise effectively with the Chief Internal Auditors of NHS Highland and Argyll and Bute Council to ensure effective delivery of internal audit that is risk based, proportionate and avoids duplication.
- 17.3.3. An annual internal audit programme will be prepared by the Chief Internal Auditor for approval by the Audit Committee of the Integration Joint Board. Progress against the internal audit plan, the outcome of each audit review and progress against implementation of audit recommendations will be reported to the Audit Committee. The Chief Internal Auditor will submit an annual report summarising audit activity and with an overall audit opinion to the Audit Committee of the Integration Joint Board following the conclusion of each financial year.
- 17.3.4. Copies of the proposed annual internal audit programme, individual audit reports and the annual internal audit report will be shared with the Director of Finance of NHS Highland and the Section 95 Officer of Argyll and Bute Council prior to consideration by the Audit Committee of the Integration Joint Board.

17.4. ARGYLL AND BUTE COUNCIL AND NHS HIGHLAND AUDIT REPORTS

- 17.4.1. The Section 95 Officer of Argyll and Bute Council and the Director of Finance of NHS Highland will share with the Chief Financial Officer and Chief Internal Auditor of Argyll and Bute Integration Joint Board copies of internal and external audit reports that are relevant to the work of the Integration Joint Board.

18. RISK MANAGEMENT AND INSURANCE

18.1. RESPONSIBILITY FOR INSURANCE AND RISK

- 18.1.1. The Integration Joint Board will make appropriate insurance arrangements for all activities of the Integration Joint Board in accordance with the risk management strategy.
- 18.1.2. The Chief Officer will 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 Integration Joint Board 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.

18.1.3. Legislation will provide that the Integration Joint Board may become a member of the Scottish Government Clinical Negligence and Other Risks Scheme (CNORIS) – a risk transfer and financing scheme. The Chief Officer and the Chief Financial Officer will review the requirement for membership of CNORIS on an annual basis.

18.1.4. The NHS Highland Director of Finance and the Section 95 Officer of Argyll and Bute Council will ensure that the Chief Officer has access to professional support and advice in respect of risk management.

18.2. **RISK STRATEGY AND RISK REGISTER**

18.2.1. The Chief Officer will be responsible for establishing the Integration Joint Board's risk strategy and profile and developing the risk reporting arrangements; this will include arrangements for a risk register. The Risk Management Strategy will be approved by the Integration Joint Board.

18.2.2. NHS Highland and Argyll and Bute Council will continue to identify and manage within their own risk management arrangements risks they have retained under the integration arrangements. The Health Board and Council will continue to report risk management to existing committees, including the impact of the integration arrangements.

18.3. **NOTIFICATION OF INSURANCE CLAIMS**

18.3.1. The Chief Officer and the Chief Financial Officer will put in place appropriate procedures for the notification and handling of any insurance claims made against the Integration Joint Board.

19. **ECONOMY, EFFICIENCY AND EFFECTIVENESS (BEST VALUE)**

19.1. The Chief Officer will ensure that arrangements are in place to maintain control and clear public accountability over the public funds delegated to the Integration Joint Board. This will apply in respect of:

- The resources delegated to the Integration Joint Board by NHS Highland and Argyll and Bute Council; and
- The resources paid to NHS Highland and Argyll and Bute Council by the Integration Joint Board for use as directed and set out in the Strategic Plan.

19.2. The Integration Joint Board has a duty to put in place proper arrangements for

securing Best Value in the use of resources and delivery of services. There will be a process of strategic planning which will have full Member involvement, in order to establish the systematic identification of priorities and realisation of Best Value in the delivery of services. It will be the responsibility of the Integration Joint Board to provide Best Value.

- 19.3. The Chief Officer will be responsible for ensuring implementation of the strategic planning process. Best Value should cover the areas of human resource and physical resource management, commissioning of services, financial management and policy, performance and service delivery process reviews.

20. PARTNERSHIPS

- 20.1. The Integration Joint Board will put in place appropriate governance arrangements to record all joint working arrangements entered into by the Integration Joint Board.

21. OBSERVANCE OF FINANCIAL REGULATIONS

21.1. RESPONSIBILITY OF THE CHIEF OFFICER AND THE CHIEF FINANCIAL OFFICER

- 21.1.1. It will be the duty of the Chief Officer assisted by the Chief Financial Officer to ensure that these Regulations are made known to the appropriate persons within the Integration Joint Board and to ensure that they are adhered to.

21.2. BREACH OF REGULATIONS

- 21.2.1. Any breach of these regulations should be reported immediately to the Chief Financial Officer, who may then discuss the matter with the Chief Officer, NHS Highland Chief Executive, Argyll and Bute Council Chief Executive or another nominated or authorised person as appropriate to decide what action to take.

21.3. REVIEW OF FINANCIAL REGULATIONS

- 21.3.1. These Regulations will be reviewed regularly by the Chief Financial Officer in consultation with the NHS Highland Director of Finance and the Section 95 Officer of Argyll and Bute Council, and where necessary, subsequent adjustments will be submitted to the Integration Joint Board for approval.