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Orkney Health and Care

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Agenda Item: 11

## **Integration Joint Board**

Date of Meeting: 29 October 2020.

Subject: Annual Accounts for Financial Year 2019/20.

### **1. Summary**

1.1. The purpose of the annual accounts is to demonstrate proper stewardship of the Integration Joint Board's financial affairs.

### **2. Purpose**

2.1. To present the audited annual governance statement and accounts for financial year 2019/20.

### **3. Recommendations**

The Integration Joint Board is invited to:

3.1. Note the approved audited annual governance statement and accounts for financial year 2019/20, attached as Appendix 1 to this report.

3.2. Note the key messages in the Annual Audit Report 2019/20, attached as Appendix 2 to this report.

### **4. Background**

4.1. A requirement exists for each Integration Joint Board to prepare an annual set of accounts which are to be lodged with Audit Scotland by 30 June each year.

4.2. The accounts are then subject to an external audit verification process which concludes with an independent opinion being expressed on the accuracy and/or quality of the financial statements themselves. The statement of accounts, together with an appropriate audit certificate, must be published on its website by 31 October each year.

4.3. The Chief Finance Officer is responsible for the preparation of the Orkney Integration Joint Board's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"), are required to give a true and fair view of the

financial position of the Orkney Integration Joint Board at the financial year end and its income and expenditure for the year ended 31 March 2020.

4.4. The Local Authorities and Health Boards will continue to use the existing guidance in the preparation of their financial statements as well as consolidate the Integration Joint Board as a joint arrangement.

## 5. Scrutiny

5.1. The draft annual governance statement and accounts were submitted to the IJB Audit Committee on 23 June 2020 for scrutiny and were thereafter approved.

5.2. As part of the external audit verification process, presentational changes were required and final agreement was received on 9 September 2020.

5.3. The annual governance statement and accounts were submitted to the IJB Audit Committee on 17 September 2020 for scrutiny and subsequently approved.

5.4. When presenting the External Audit Report to those charged with governance, the independent auditor, Gillian Woolman, requested that the key messages be shared with the wider IJB membership. The key messages are detailed on page of the 2019/20 Annual Audit Report, attached at Appendix 2, for members' information.

## 6. Contribution to quality

Please indicate which of the Orkney Community Plan 2019 to 2022 visions 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.	Yes.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	Yes.

## 7. Resource implications and identified source of funding

7.1. There are no resource implications with this report.

## 8. Risk and Equality assessment

8.1. The Orkney Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded; properly accounted for; and used economically, efficiently and effectively.

## 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 escalated to:

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

## 11. Author

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

## 12. Contact details

12.1. Email: [pat.robinson@orkney.gov.uk](mailto:pat.robinson@orkney.gov.uk).

## 13. Supporting documents

13.1. Appendix 1: Annual Accounts 2019/20.

13.2. Appendix 2: External Audit Report to those Charged with Governance 2019/20.



# Annual Accounts

**Orkney Integration Joint Board  
2019/20**



## Contents

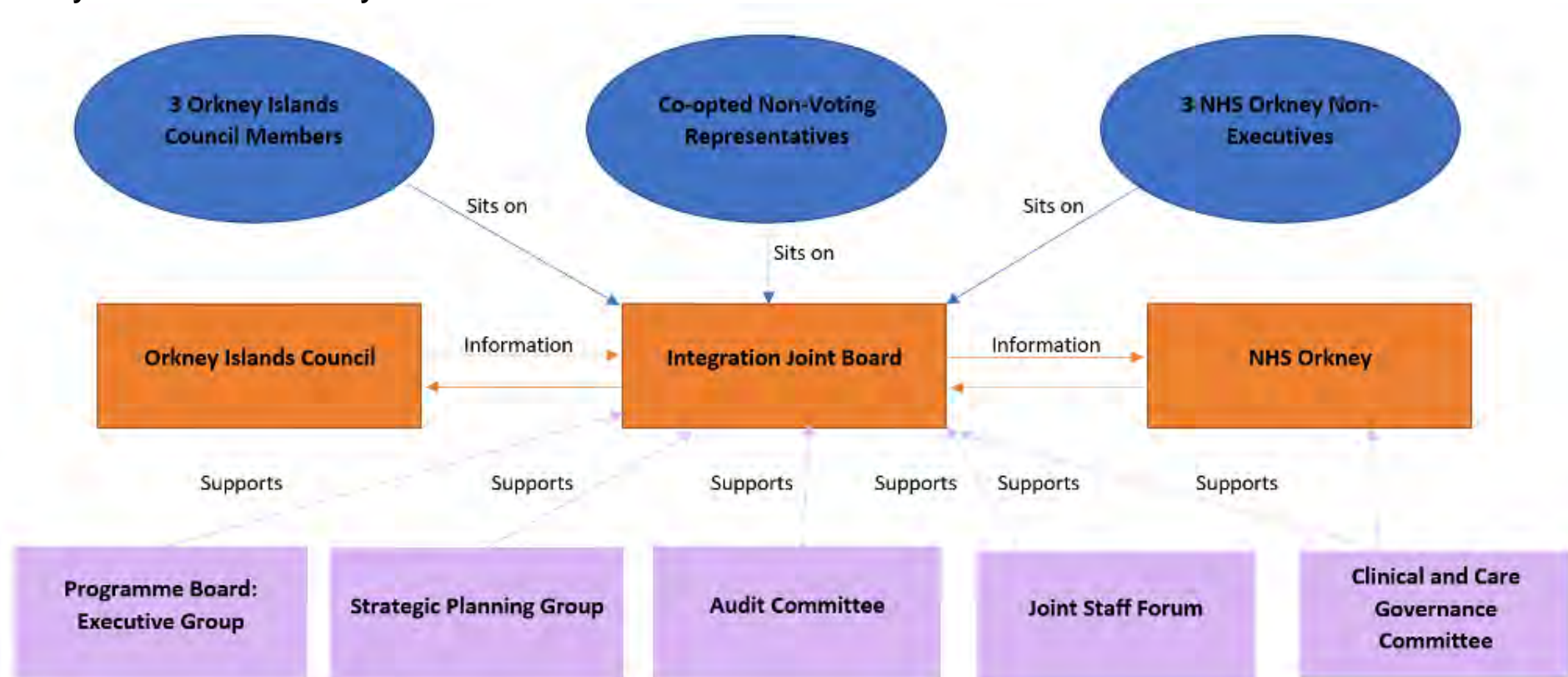
Orkney Integration Joint Board Members .....	3
Structure and Management of the Orkney Integration Joint Board.....	4
Management Commentary .....	5
Statement of Responsibilities .....	19
Remuneration Report .....	21
Annual Governance Statement.....	24
Independent Auditor's Report.....	32
Comprehensive Income and Expenditure Statement.....	36
Movement In Reserves Statement.....	37
Balance Sheet. ....	38
Notes to the Financial Statements .....	39

## Orkney Integration Joint Board Members

<b>Voting Members</b>	
David Drever	NHS Orkney (Chair until 13/05/19, Vice Chair from 14/05/19 onwards)
David Campbell	NHS Orkney
Issy Grieve	NHS Orkney
Councillor Rachael King	Orkney Islands Council (Vice Chair until 13/05/19, Chair 14/05/19 onwards)
Councillor John Richards	Orkney Islands Council
Councillor Steve Sankey	Orkney Islands Council
<b>Non-Voting Members</b>	
Sally Shaw	Chief Officer
Pat Robinson	Chief Finance Officer
Scott Hunter	Chief Social Work Officer (left 20/02/20).
Anne Mathison / James Henry / Lynn MacIntosh.	Acting Chief Social Work Officer (between 21/02/20 and 23/03/20)
Sharon-Ann Paget	Interim Chief Social Work Officer (24/03/20 onwards)
Dr Kirsty Cole	Registered Medical Practitioner who is a GP
Dr Louise Wilson	Registered Medical Practitioner not a GP
David McArthur	Registered Nurse
<b>Non-Voting Members (Stakeholder Members)</b>	
Sally George	Staff Representative – Unison (left 11/12/19)
Vacant	Staff Representative (12/12/19 onwards)
Gail Anderson	Third Sector Representative
Sandra Deans	Unpaid Carer Representative (left 11/12/19)
Vacant	Unpaid Carer Representative (12/12/19 onwards)
Janice Annal	Service User Representative
<b>Additional Non-Voting Members (Locally Agreed in Addition to Requirements)</b>	
Fiona MacKellar	Additional Staff Representative (NHS Orkney Employee Director)
Frances Troup	Housing Representative

# Structure and Management of the Orkney Integration Joint Board

Orkney IJB Members Scrutiny Framework.



**Notes:**

NB 1) OIC has in house internal audit. Scott Moncrieff provide Internal audit services to NHS Orkney.

NB 2) Scott Moncrieff provides the services to the Orkney IJB.

**External Scrutiny of Orkney IJB**

- Care Inspectorate
- Healthcare Improvement Scotland
- Accounts Commission
- Auditor General for Scotland
- Scottish Ministers

# Management Commentary

## 1. Introduction

The Orkney IJB is required to prepare annual accounts under the Local Government (Scotland) Act 1973 and in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

The Management Commentary outlines key messages regarding the objectives and strategy of the Orkney IJB, its financial and performance reporting for the 2019/20 financial year and provides an indication of risks, which may impact upon the Orkney IJB moving forward.

## 2. Purpose and Objectives

The Orkney IJB is a formal partnership between NHS Orkney and Orkney Islands Council (the Parties), as described in the Orkney Integration Scheme.

The Integration Scheme is a legally binding contract between the Parties. It sets out the make-up of the Integration Authority and how it will work. It was updated and approved on 22 March 2018 to incorporate the Carers (Scotland) Act 2016. The health and social care functions that have been delegated are included within Annex B of the Scheme.

Section 44 of The Public Bodies (Joint Working) (Scotland) Act 2014 requires the Local Authority and the Health Board to carry out a review of the scheme within a 5 year period for the purpose of identifying whether any changes to the scheme are required. A rudimentary review will be submitted to the Orkney IJB in September with a commitment to undertake a thorough review by March 2021.

The Orkney IJB's draft Strategic Plan for 2019-22 was presented to the Board in June 2019, and a comprehensive consultation exercise was undertaken before being approved by the Orkney IJB on 2 October 2019. The following is an extract from the 2019-22 plan:

*“The plan clearly sets out the principles, values and approach, which will shape all that we do. Our focus will always be on innovation and the continual improvement of the health and wellbeing of all living in Orkney. It will also be about ensuring our activities maximise our ability to reduce health inequalities that exist in our communities.*

*The plan sets out our new approaches to health and social care. We need to develop different ways of working. Not only will our traditional models of support not be able to withstand the increase in demand for services, but the current models are labour intensive - we will not be able to support such models with an adequate number of staff to safely operate them in the future.*

*We all need to ensure we take greater responsibility for our health and wellbeing. We need to work within our communities to develop this responsibility and to ensure that our communities are adequately equipped to support the needs of their individual populations.”*



Alongside this plan a Strategic Commissioning Implementation Plan (SCIP) is being developed and will be presented to the Orkney IJB for approval by December 2020. The Medium-Term Financial Plan which was approved in June 2019 details the needs analysis of how we currently spend our money and proposed changes in how services are delivered.

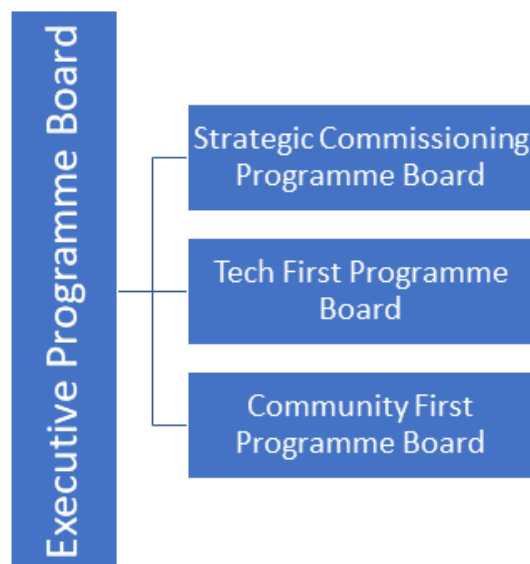
The Orkney IJB commissions Community Health and Social Care for the population of the Orkney Islands, which is in the region of 22,270 people. This is an increase of 0.4% from 22,190 in 2018. Over the same period, the population of Scotland increased by 0.5% (National Records of Scotland mid-2019 population estimate).

### 3. Strategic Plan

The performance report can be found within section 5 of the management commentary.

The Orkney IJB's Strategic Plan 2019-22, is designed to be public facing and includes more infographics for ease of reading and understanding.

To support the delivery aims of the plan, a programme board approach has been implemented, which will support the various aspects of the plan, these being:



**Executive Programme Board** – The Executive Programme Board provides assurance to the Orkney IJB of effective and efficient progress towards delivering the Strategic Priorities as agreed by the Orkney IJB. This includes addressing risks and issues that have been escalated from the reporting Programme Boards. Membership of the Executive Group includes a carer representative to ensure that all proposed programmes are suitable for service users and carers.

**Community First Programme Board** – This programme aims to work collaboratively with the local communities and all stakeholders to collectively redesign services that work for everyone.

Community Led Support is having a positive impact within the Orkney Islands by focusing on the strengths of the individual within their own communities and working alongside them to come up with solutions to meet their needs.

Case studies are being collected to provide evidence of the positive benefits that Community Led Support is having directly on Orkney's communities. Within one of these community engagements, people identified additional non-statutory services which met their needs.

A joint seminar for Orkney IJB Members, Elected Members and NHS Orkney Board Members was scheduled for May 2020, but had to be postponed due to COVID-19 and will be rescheduled by December 2020.

Orkney has also linked directly with iHub around the delivery of Community Led Support and aligned it with other workstreams such as Alliance Contracting, Open Badges approach and workshops to define legislative requirements that affect ways of working, to try and break down some of the barriers within Health and Social Care delivery. This work has been highlighted nationally as good practice.

**Tech First Programme Board** – This programme aims to improve outcomes for individuals in home or community settings, which are improved through the application of technology as an integral part of quality, cost-effective care and support.

It has been agreed to dovetail the Orkney IJB Programme Board meetings with NHS Orkney's Programme Board to prevent duplication of meetings and to promote joint working and sharing of ideas.

**Strategic Commissioning Programme Board** – This programme plays a significant role in ensuring delivery of the nine National Health and Wellbeing Outcomes and the locally agreed set outcomes. This programme board will:

- Steer, drive and enable progress at pace with activity relating to the following priority programmes:
  - Strategic Commissioning.
  - Planning of Acute Sector.
  - Self-Directed Support.
- Review and approve project proposals.
- Scrutinise working group programmes to provide assurance of progress.
- Identify and enable new tests of change in support of our strategic priorities.
- Ensure identification and delivery of programme benefits.

A short-term working group has been developed to look at the benefits of adopting an Alliance form of commissioning in Orkney.

These Boards have been arranged bi-monthly and are based in various locations within the community. Due to the impact currently being faced worldwide with COVID-19, these meetings have had to be postponed. New dates, with the ability to join them virtually, have been arranged.

Membership of these Boards have tried to be inclusive and members are tasked with work to progress proposed ideas which will be scrutinised by the Executive Board before being submitted to the Orkney IJB for consideration.

These sub Boards recognise that Orkney has one of the highest expected growth rates in numbers of older people and, along with efforts of social work, social care and health staff and services across the whole system, have resulted in previously good performance against the nine indicators that the Scottish Government has ascribed Integration Authorities to report on.

#### **4. Operational Review**

In terms of operational delivery much progress has been made, including:

- The Learning Disability Strategy 2019-2024 was approved on 11 December 2019. This provides a focus and direction for learning disability services, based on the principles and priorities outlined in the Strategic Plan.
- The approved 40 bed care home in Stromness, named Hamnavoe House, opened with 30 beds on 29 January 2020. The remaining 10 beds are being mobilised as part of the COVID-19 response in the short term.
- In response to the Ministerial Steering Group (MSG) for health and care the Parties and the Orkney IJB developed an action plan for improvements.
- A joint inspection on children and young people in need of care and protection in Orkney took place between August and October 2019. The conclusion of the inspection report states that the inspection partners cannot be confident that the Orkney partnership will be able to make the necessary improvements without additional support and expertise. Work has been progressing to develop a robust action plan which will deliver the recommendations from the report and will be routinely reported to the relevant committees.
- The Orkney IJB approved to commission services in regard to Musculoskeletal Physiotherapists, a Mental Health Primary Care Worker and a Vaccine Transportation Nurse to support the workstreams within the Primary Care Improvement Plan.
- Over 30 different workshops were delivered in respect of Community Led Support, in the isles and the Mainland, which has led to the launch of the blether sessions. These are informal opportunities for people to speak to and access a number of health, social and third sector services, under one roof and within their own communities.
- The updated Primary Care Improvement Plan was submitted to the Orkney IJB in October 2019. It was agreed that, due to the current high risk of predicted underfunding to deliver the new GP contract in its totality, it should not be formally approved but agreed as a final unapproved plan for submission to Scottish Government.

#### **Created and Future Workstreams**

- The draft Orkney Mental Health Strategy 2020-2025 was approved by the Orkney IJB, on 2 October 2019, for consultation subject to amendments proposed at that meeting. As this consultation was over the festive period, the timeline was extended to ensure that all stakeholders could be involved. This will be presented to the Orkney IJB meeting in September 2020 for approval.
- Orkney Health and Care is a named partner alongside East Ayrshire who are the Lead Pathfinder taking forward a project called “thinking differently and think TEC first”. An agreement was reached that the Third Sector Interface would host a Tech Peer Champion post. Arrangements are in transition to take this forward but have been delayed due to COVID-19.

- There are plans in regard to the replacement of the Kirkwall care facility. After a review of the demand a proposal for a 40 bed facility went to the Council's Policy and Resources in June 2020. This plan was submitted to the Orkney IJB in August 2020 and further engagement is required before approval can be actioned.
- A finance workshop was delivered in August 2020 to inform managers of the significant financial challenges and to address how services can be delivered within the financial resources that are available.

## **COVID-19**

Due to the timing of COVID-19 there was minimal disruption or additional costs within financial year 2019/20.

The budget proposals for 2020/21 were presented based on "business as usual", to the Orkney IJB in April 2020, however it is now evidenced that this is not the case. It must be recognised that extraordinary costs are being incurred and will continue to be incurred for the foreseeable future. For accounting purposes, these costs will be recorded separately, with the assumption that costs will be covered by partners, and ultimately by government. Based on the assumptions made the projected cost for services commissioned is approximately £2.3 million. Some of these costs are in relation to unidentified savings.

Local Mobilisation Plans are submitted by NHS Orkney to Scottish Government to capture the actual and anticipated additional costs of the Health and Social Care Partnership.

## **5. Performance Reporting**

Section 42 of the Public Bodies (Joint Working) (Scotland) Act 2014 states that each integration authority must prepare a performance report for the reporting year. The report sets out an assessment of performance in planning and carrying out its integration functions.

In regard to financial year for 2019/20, the Scottish Government has agreed that IJB's Annual Performance Reports can be delayed from the usual June publication date. The aim of this was to allow staff to concentrate on the delivery of responses to the COVID-19 pandemic.

At the Orkney IJB meeting on 24th June 2020, it was agreed to delay the publication date for the annual performance report until 30 September 2020.

## Local Indicators

The national and peer group information which is provided from the Information Services Division (ISD) is only published provisionally in June 2020. In September and December 2020, revised data will be available. The available local indicators are as follows:

Indicator	Description	Scotland 2018/19	Orkney 2018/19	Scotland 2019/20	Orkney 2019/20
Emergency Admissions	Emergency admission rate (per 100,000 persons).	12,275	10,719	11,313	9,697
Emergency Bed Days	Emergency bed day rate (per 100,000 population).	120,177	86,210	104,406	82,485
Readmissions	Readmission to hospital within 28 days (per 1,000 population).	103	82	99	64
End of Life – Care Setting	Proportion of last 6 months of life spent at home or in a community setting.	88%	90%	89%	90%
Falls Rate	Falls rate per 1,000 population aged 65+.	23	16	20	17
Quality of Services – Care Inspectorate	Proportion of care services graded ‘good’ (4) or better in Care Inspectorate Inspections.	82%	78%	82%	74%
Delayed Discharge	Number of days people spend in hospital when they are ready to be discharged (per 1,000 population).	793	111	793	484
Emergency Admission Costs	Percentage of health and care resources spent on hospital stays where the patient was admitted in an emergency.	24%	21%	21%	19%

## 6. Financial Management

The Orkney IJB's finances are overseen by the Chief Finance Officer. There is support from the Finance Teams within NHS Orkney and Orkney Islands Council. There is also support from Corporate Services who provide a range of services such as Human Resources and Legal Services.

Within the financial governance of the Orkney IJB, there are various policies which include financial regulations, members' expenses, reserves policy and a Medium-Term Financial Plan, which supports the governance process. These are reviewed on a timely basis and any changes are submitted to the Orkney IJB for approval.

## 7. Analysis of Financial Statements

One of the main objectives of the Annual Accounts is to provide information on the financial position and financial performance of the Orkney IJB. This is useful to a wide range of stakeholders to allow them to make and evaluate decisions about the allocation of resources.

The 2019/20 Annual Accounts comprise:

- a) Movement in Reserves Statement** – At the year end there was earmarked funding not fully utilised in relation to Primary Care services and the Alcohol and Drug Partnership. These funds will be utilised in financial year 2020/21.
- b) Comprehensive Income and Expenditure Statement** – During the year the Orkney IJB received reports setting out projected underspends throughout the year.
- c) Balance Sheet** – The Orkney IJB does not hold assets, however the short-term debtors and creditors are in relation to the funds still due in respect of Audit Scotland's fees for the costs of planning, delivering and reporting on the annual audit. There is also funding due from NHS Orkney in regard to the earmarked reserves.
- d) Notes** – These include a summary of the significant accounting policies and analysis of significant figures within the Annual Accounts, as well as other explanatory information.

## 8. Financial Performance

Revenue and Expenditure Monitoring Reports were presented at Orkney IJB meetings throughout the year. The purpose of the reports is to set out the current position and projected financial year end out-turn.

The year end over/underspend within each partner was as follows:

Partner Organisation	Indicative Budget	Additional Allocations	Reduction in Funding	Full Year Budget	Full Year Spend	Variance
	£000	£000	£000	£000	£000	£000
Orkney Islands Council	19,552	388	0	19,940	19,940	0
NHS Orkney	24,927	10,087	(130)	34,884	34,542	(342)
<b>Total Allocation</b>	<b>44,479</b>	<b>10,475</b>	<b>(130)</b>	<b>54,824</b>	<b>54,482</b>	<b>(342)</b>

The unscheduled care budget of £8,617 million was not formally delegated to the Orkney IJB and is part of the additional allocations of £10,087 million noted above.

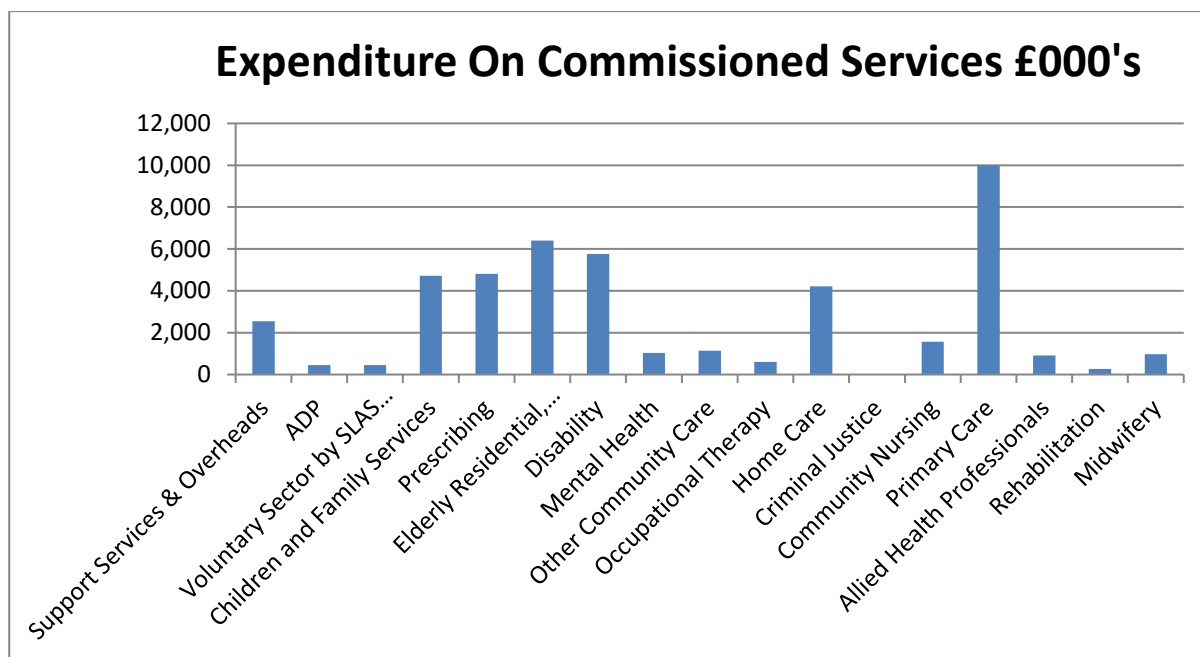
A reduction in funding of £130k was applied at year end by NHS Orkney for financial year 2019/20 and is represented in the accounts. However, NHS Orkney has agreed that additional budget of £130k will be reinstated in the budget for financial year 2020/21.

The outturn position showed **an overall underspend of £342k at the financial year end.**

The underspend of £342k within NHS Orkney was in relation to funding received for specific services, which was not fully utilised and therefore will be held within earmarked reserves. The split is as follows:

Service	Spend £000
Primary Care Services	247
Alcohol and Drug Partnership	95
<b>Total</b>	<b>342</b>

The net funds excluding unscheduled care provided the following services:



The main financial issues reported throughout the year were:

**Children and Families** – There have been various underspends within the service due to not having a full complement of intensive foster carers. The requirement for throughcare/ aftercare costs was also less than anticipated but, as this is a demand led service, this can fluctuate depending on the young people receiving these payments. The Children and Adolescent Mental Health Service (CAMHS) currently also had a vacancy which contributed to the service having an overall underspend.

**Elderly** – Significant staff absences have resulted in double running costs and the reliance on agency staff to ensure that the service remains within staffing levels as agreed with the Care Inspectorate. However due to a reduction in the requirement of high cost packages of care this has enabled this area to stay within balance.

**Disability** – There continues to be overspends within this service due to placements out with Orkney, with increased supporting living rates.

**Mental Health** – There have been additional costs regarding employing a locum consultant psychiatrist locally as well as agency nursing being required to cover vacancies.

**Home Care** – Introduction of Self-Directed Support was to enable choice and flexibility in how people receive their care and should not incur additional costs. However, there is an inability to reduce the current, limited, in-house service provision. An internal audit report was presented to the Orkney IJB Audit Committee on 19 November 2019 which highlighted 8 recommendations which will strengthen policies and procedures.

In addition, the demand continues to grow, which is largely as a result of keeping people at home for longer and to keep hospital stays to a minimum length of stay.



Although there were additional resources received in 2019/20 (£26,000) in regard to the commitment of Free Personal Care to all under 65s who require it, regardless of condition (known as Frank’s Law), the resources received have been insufficient to cover this additional commitment. This could also see a further increase in demand for personal care services.

**Primary Care** – There is an underspend due to the Dental Primary Medical Services as a result of restructuring. There were also vacancies within Primary Care throughout the year and a reduction in requirement for locum cover which all contributed to an overall underspend within the service.

**Unscheduled Care** – Within the Public Bodies (Joint Working) (Scotland) Act 2014 and regulations there is a requirement that the budget for hospital services, used by the partnership population, is included within the scope of the Strategic Plan. Where a Health Board and an Integration Authority are coterminous (cover the same area), unscheduled adult inpatient services must be delegated to the Integration Authority, based on the functions included in the legislation. This budget was not formally delegated to the Orkney IJB for financial year 2019/20. NHS Orkney has advised that this budget will be delegated for financial year 2020/21. A report will be submitted to the Orkney IJB in September 2020 for approval.

## 9. Financial Outlook

As per the Integration Scheme, the funding available to the Orkney IJB shall be dependent on the funding available to Orkney Islands Council and NHS Orkney and the corporate priorities of both. A budget report was submitted to the Board meeting on 9 April 2020 to illustrate the indicative funding allocations within which the Strategic Commissioning Implementation Plan 2020/21 should be delivered.

The financial contributions from each partner for 2020/21 are as follows:

	<b>NHS Orkney</b>	<b>Orkney Islands Council</b>	<b>Orkney IJB</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Budget	26,381	20,487	<b>46,868</b>
Savings	-	(144)	<b>(144)</b>
Total	26,381	20,343	<b>46,724</b>

The unscheduled care budget for 2020/21 has not been included within these figures as it had not been formally delegated. However, NHS Orkney has since given an assurance that this will be delegated for financial year 2020/21.

At a meeting with the partners, it was agreed that there should be a three-year savings target applied which would give the Orkney IJB a set figure to work towards over a three-year period. In total there is a savings target of £4.2 million to be achieved by the end of 2022/23 which is split as follows:

	<b>NHS Orkney</b>	<b>Orkney Islands Council</b>	<b>Orkney IJB</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Savings	2,400	1,800	<b>4,200</b>

To date there has not been any significant savings identified. A finance workshop was delivered in August 2020 to highlight the financial pressures and to identify where potential savings could be made.

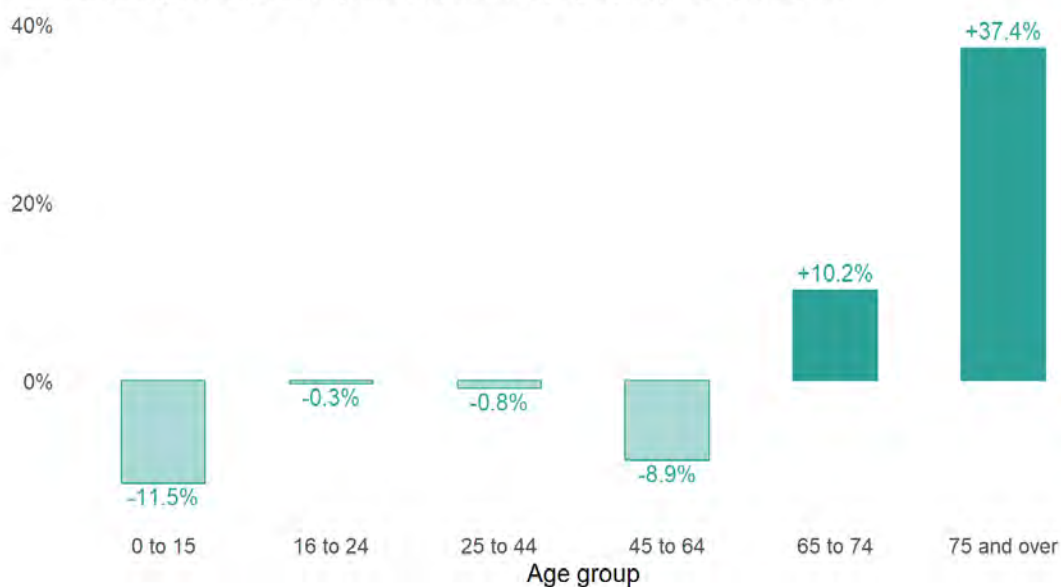
## **10. Sustainability Challenges**

Due to medical advances and improved quality of care, individuals who require or are in receipt of complex care (also known as long-term care or continuing care) have substantial and ongoing health and social care needs. These can be the result of chronic illness, disabilities or following hospital treatment. Social care services were previously more general in nature but there is an increasing requirement for specialist input as individuals have the rightful expectation to receive care whilst in their own homes.

Although this challenge is not unique to Orkney, our older population is increasing faster than the national average. In addition, significant numbers of our working age population are leaving the islands and so fewer people are available to provide the care and support required with the predicted levels of chronic illness and disabilities. This reality is also highlighted in NHS Orkney's Transforming Services Strategy, which states 'if nothing else changes in the way we deliver care, this means that for every 10 people over 85 currently accessing health and social care services, there will be 31 people over 85 accessing it by 2033. Equally, if nothing else changes, for every 10 people providing care to people over 85 we will need 31 people by 2033'.

The National Records of Scotland has produced population projections for Orkney (2018 based). As illustrated below, the older age group is projected to increase by 37.4% whilst the working age group will decrease by 10%. This will have a significant impact on how we deliver services in the future.

Orkney Islands  
Percentage change in projected population by age group, 2018 and 2028



However, alongside the challenges, the contribution that older people make to our society also needs to be recognised. For example, people over 65 years of age deliver more care than they receive – acting as unpaid carers, child minders and volunteers.

## 11. Management of Risks

The Orkney IJB has an approved Risk Management Strategy and Risk Register, which forms part of the wider framework for corporate governance and internal control. There are broadly two types of risks: those that relate to its operation as a separate legal entity; and risks to the quality of service delivery, which are experienced by commissioned services. For the latter risk it will depend to a large extent on these risks being identified, assessed and mitigated by the partner organisations for commissioned services (mainly Orkney Islands Council and NHS Orkney).

The updated Risk Register presented to the Orkney IJB has 9 risks overall, ranging from medium to very high.

The very high risk based on the risk quantification and risk reduction actions is as follows:

Risk.	Risk Reduction Action.
There is a risk of IJB financial failure and projecting an overspend, due to the available budget not being sufficient to meet the costs of the services.	Budgets delegated to cost centre level and being managed by budget holders. Financial information highlighting the issues are reported regularly. Development of Medium-Term Financial Plan.

Further information on the risk register can be found within the link at section 12. Once the Strategic Commissioning Implementation Plan is approved, the risk register will be developed to incorporate the risks of outcomes not being achieved.

## **12. Unscheduled Care**

Within the Public Bodies (Joint Working) (Scotland) Act 2014 and regulations there is a requirement that the budget for hospital services used by the partnership population is included within the scope of the Strategic Plan.

Due to staffing capacity for some of the year, this work was not progressed within financial year 2019/20. The Chief Finance Officer formally requested the delegation of these budgets in April 2020.

NHS Orkney approved to delegate the unscheduled care budget at its Board meeting on 28 May 2020 and to be effective as of 1 April 2020.

A detailed paper will be presented to the Orkney IJB in September 2020 for consideration.

## **13. Further Information**

Further information in relation to the Orkney IJB can be found at:

<https://www.orkney.gov.uk/Service-Directory/S/integration-joint-board.htm>

The section that is dedicated to the Orkney IJB Finance can be found at:

<https://www.orkney.gov.uk/Service-Directory/S/ijb-finance.htm>

Further information regarding the Annual Accounts can be obtained from:

Chief Finance Officer, Orkney IJB, School Place, Kirkwall, Orkney, KW15 1NY.

## **14. Conclusion**

The Orkney IJB's focus will always be on innovation and the continual improvement of the health and wellbeing of all people living in Orkney. It will also be about ensuring activities maximise the ability to reduce health inequalities that exist in Orkney's communities.

We all need to ensure we take greater responsibility for our health and wellbeing. The Orkney IJB needs to work within the communities to develop this responsibility and to ensure that communities are adequately equipped to support the needs of their individual populations.

The Orkney IJB faces many challenges moving forward in ensuring that we meet our focus on innovation and the continual improvement of the health and wellbeing of all living in Orkney.

The Orkney IJB has an established reputation for good joint working between Orkney Islands Council and NHS Orkney, as well as our wider community planning partners and therefore has a strong foundation to build on to address the challenges that the future brings.

**John Mundell**  
**Interim Chief Executive**  
**Orkney Islands Council**  
**17 September 2020**

**Rachael King**  
**Chair of Orkney IJB**  
**17 September 2020**

**Pat Robinson**  
**Chief Finance Officer**  
**17 September 2020**

## **Statement of Responsibilities**

### **The Integration Joint Board's Responsibilities**

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003).
- To approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit Committee on 17 September 2020.

Signed on behalf of the Integration Joint Board.

**Rachael King**  
**Chair of Orkney IJB**  
**17 September 2020**

## **Responsibilities of the Chief Finance Officer**

The Chief Finance Officer is responsible for the preparation of the Integration Joint Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with legislation.
- Complied with the local authority Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Integration Joint Board as at 31 March 2020 and the transactions for the year then ended.

**Pat Robinson**

**Chief Finance Officer**

**17 September 2020**

# Remuneration Report

## Introduction

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No.2014/200) require local authorities and IJBs in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. It discloses information relating to the remuneration and pension benefits of specific IJB members and staff.

## Orkney IJB Chair and Vice Chair

The voting members of the Orkney IJB are appointed through nomination by Orkney Islands Council and NHS Orkney. Nomination of the Orkney IJB Chair and Vice Chair post holders' alternates between a Councillor and a Non Executive Director of the Health Board. In May 2019, the role of Chair of Orkney IJB and the role of Chair of Orkney IJB Audit committee was alternated as agreed.

The Orkney IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the Orkney IJB. The Orkney IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the Orkney IJB in 2019/20.

The Orkney IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting Orkney IJB members. Therefore, no pension rights disclosures are provided for the Chair or Vice Chair.

## Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014, a Chief Officer for the IJB must be appointed and the employing partner must formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The Chief Officer is employed by Orkney Islands Council and seconded to the Orkney IJB.

## Chief Finance Officer

The Chief Finance Officer is employed by Orkney Islands Council and seconded to the Orkney IJB.

## Board Members

Membership of the Orkney IJB comprises voting and non-voting members. The voting members are three Elected Members of Orkney Islands Council and three Non-Executive Directors of NHS Orkney, although article 3(5) of the Integration Joint Board Order permits otherwise if necessary.



The remuneration of the Chief Officer and Chief Finance Officer is as follows:

<b>Name</b>	<b>Salary, Fees and Allowances £</b>	<b>Taxable Expenses £</b>	<b>Total Remuneration 2019/20 £</b>	<b>Total Remuneration 2018/19 £</b>
Sally Shaw, Chief Officer *	93,997	0	93,997	47,791
Pat Robinson, Chief Finance Officer **	55,650	0	55,650	44,148

\* The Chief Officer commenced post in September 2018. The significant increase is in regard to postholder being in post for a full financial year.

\*\* The increase in remuneration is due to a regrading of this post.

In respect of officers' pension benefits, the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pension liability reflected on the Orkney IJB balance sheet for the Chief Officer or any other officers.

The Orkney IJB has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the Orkney IJB. The following table shows the Orkney IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits, which may include benefits earned in other employment positions and from each officer's own contributions.

<b>Post</b>	<b>Senior Employee</b>	<b>In Year Pension Contributions</b>		<b>Accrued Pension Benefit</b>		
		<b>For Year to 31/03/19</b>	<b>For Year to 31/03/20</b>		<b>Difference from 31/03/19</b>	<b>As at 31/03/20</b>
Chief Officer	Sally Shaw	8,698	16,544	Pension	1,942	2,917
				Lump Sum	0	0
Chief Finance Officer	Pat Robinson	8,035	9,794	Pension	9,633	12,313
				Lump Sum	7,480	8,863
Total		16,733	26,338	Pension	11,575	15,230
				Lump Sum	7,480	8,863

## Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year £50,000 or above, in bands of £5,000.

<b>Number of Employees in Bands 2018/19</b>	<b>Remuneration Band</b>	<b>Number of Employees in Bands 2019/20</b>
0	£55,000 - £59,999	1
0	£90,000 - £94,999	1

**John Mundell**  
**Interim Chief Executive**  
**Orkney Islands Council**  
**17 September 2020**

**Rachael King**  
**Chair of Orkney IJB**  
**17 September 2020**

# Annual Governance Statement

## Introduction

The Orkney IJB was established as a body corporate by order of Scottish Ministers with effect from 6 February 2016 on approval of an Integration Scheme. The Orkney IJB took over delegated responsibility on 1 April 2016 and the Annual Governance Statement reflects these responsibilities.

## Scope of Responsibility

The Orkney IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the Orkney IJB has established governance arrangements, which include a system of internal control. The system is intended to manage risk to support the achievement of the Orkney IJB's policies, aims and objectives. Reliance is also placed on NHS Orkney and Orkney Islands Council's systems of internal control that support compliance with both organisations' policies and promote achievement of each organisation's aims and objectives, as well as those of the Orkney IJB.

The CIPFA/ SOLACE framework for "Delivering Good Governance in Local Government Framework (2016 Edition)" provides a structured approach in defining the principles that should underpin the governance arrangements. Whilst the framework is specifically for Local Government, the principles are applicable to Integration Authorities.

The system can only provide reasonable and not absolute assurance of effectiveness.

## The Governance Framework and Internal Control System

The key elements of the Orkney IJB's governance arrangements are described in terms of the seven principles of good governance defined in the Framework, summarised as follows:

### **Governance Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

The Orkney IJB's Code of Conduct is applicable to all Members of the Orkney IJB and requires them to exercise leadership in establishing specific operating principles and values, ensuring they are communicated and understood throughout the organisation. This is circulated on an annual basis to all Orkney IJB members with a Declaration of Interest form completed if there are any changes applicable.

The Members and Officers demonstrate their commitment to ethical values in many ways, including robust preparation for meetings, regular attendance at meetings, active participation in decision making and registering and declaring their interests.

The Standards Officer was reappointed until October 2020 and is responsible for advising and guiding members on issues of conduct and propriety. They also act as the Liaison Officer between the Orkney IJB and the Standards Commission.

The Chief Finance Officer post is in line with the legislative requirements to ensure accountability for the proper administration of the Board's financial affairs.

## **Governance Principle B – Ensure openness and comprehensive stakeholder engagement.**

The Orkney IJB's Standing Orders, which were approved in March 2016, ensures that board meetings are open to the public and only where there is a requirement to do so will an item be considered in private. It is proposed that the Orkney IJB standing orders will be updated alongside the review of the Scheme of Integration, which is due to commence later in 2020. The Orkney IJB Chair is responsible for giving public notice of the time and place of each meeting of the Orkney IJB by posting on the website not less than five clear days before the date of each meeting. Further information on the agenda, reports and minutes of all committees can be found within the link at section 12 of the management commentary. These meetings are also audio cast so can be accessed at the time of the meeting and are recorded for listening later.

The Community and Engagement Strategy was approved on 6 December 2017. As well as more traditional methods of communication, Orkney IJB is developing innovative new approaches to communication, active participation and community engagement. An example of this is 'The Place Standards Survey' tool, which aims to gain a greater understanding of service priorities and lifestyles choices of communities. The 'Orkney Opinions' survey also asked a random selection of the population on service specific questions in an effort to deliver greater community participation in identifying service priorities. A further review of the strategy will take place in 2020.

The Chief Officer was also available to meet with staff, third sector and the public throughout the year at various locations. During the consultation period of the new Strategic Plan, the Chief Officer and Orkney Health and Care Senior Management Team had a stand at all the local agricultural shows, Stromness Shopping Week and a Saturday in the Tesco Foyer. The Chief Officer has also been attending Community Council meetings and has given a commitment to attend these twice a year. The Chief Officer regularly posts on the Chief Officer Twitter page and LinkedIn account.

In recognition of the importance of the work done by third sector colleagues and to strengthen links, the Third Sector Interface has been asked to attend part of the monthly Orkney Health and Care Senior Management Team meetings as well as being tasked with chairing the Programme Board: Strategic Commissioning.

## **Governance Principle C – Define outcomes in terms of sustainable economic, social, and environmental benefits.**

The Orkney IJB's Strategic Plan, which illustrates how the Orkney IJB plans and commissions future services, can be found in section 3 of the management commentary. The 2019-22 Strategic Plan was approved on 2 October 2019 and the draft Strategic Commissioning Implementation Plan is currently being developed and will be submitted to the Orkney IJB by December 2020.

Finance and performance reports are submitted to the Orkney IJB on a quarterly basis and highlight the financial position and projections to the year end, together with any significant variances and areas of concern.

A Medium-Term Financial Plan which was approved in June 2019, provides an overview of the key messages in relation to the Orkney IJB's financial planning for 2019-22 and which links with the Strategic Plan, has been approved. It also provides an indication of the challenges and risks that may impact upon the finances of the Orkney

IJB in the future as we strive to meet the health and social care needs of the people of Orkney. This will work alongside the Strategic Commissioning Implementation Plan.

**Governance Principle D – Determine the interventions necessary to optimise the achievement of the intended outcomes.**

The programme boards will support and inform the development process for the Partnership’s Strategic Commissioning Implementation Plan, together with an iterative review. These boards will have responsibility for the annual review of the strategic planning process, including responding to Scottish Government and other stakeholder feedback.

The Clinical and Care Governance Committee meets at least quarterly and fulfils the function of providing the Orkney IJB, and NHS Orkney, with assurance that robust clinical and care governance controls and management systems are in place and are effective for the services that NHS Orkney and Orkney Islands Council have delegated to it.

**Governance Principle E – Develop the entity’s capacity, including the capability of its leadership and the individuals within it.**

There have been various development sessions delivered for members as follows:

Orkney IJB Development Session – Risk Register.	31/07/19.
Orkney IJB Development Session – Ministerial Steering Group Self Assessment.	09/09/19.
Orkney IJB Development Session – Frailty, Budgets and Ministerial Steering Group.	11/12/19.
Joint Seminar – Role and Responsibilities in relation to Integration.	21/01/20.
Joint Seminar - Roles and Responsibilities in relation to Integration.	28/01/20.
Orkney IJB Development Session – Looked After Children Review / Children Services Update.	28/01/20.
Joint Seminar – Roles and Responsibilities in relation to Integration.	06/02/20.
Joint Seminar – Roles and Responsibilities in relation to Integration.	11/02/20.
Facilitated Session with Scottish Government on Framework on Community Health and Social Care Integrated Services.	10/03/20.
Facilitated Session with Scottish Government on Directions.	11/03/20.

Elected Members, NHS Board Members, Orkney IJB Members, NHS Orkney Senior Management and Orkney Islands Council Corporate Management attended a seminar to gain a better understanding of the roles and responsibilities in relation to Integration.

Briefing notes are routinely prepared and distributed to provide Members with up to date information on key strategic and operational issues such as the Children's inspection report, draft Mental Health Strategy for consultation after amendments from Board meetings and the final version of strategic plan.

Some of the issues are out with the control of the Orkney IJB such as Information Technology, which can inhibit co-location working.

A national Health and Social Care Partnership event in December 2019, which shared good practice, such as early learning from innovation sites and person led approaches to sustainable transformation in health and social care services. The attendees included a voting member of the Orkney IJB and the Third Sector representative.

A brief update from the Chief Officer network and Chief Social Work Officer network is now provided at each Orkney IJB Meeting through the new update report. The Chief Officer had regular meetings with the Chief Executives of both partner organisations, and this provided an opportunity to raise any issues that had arisen. There are meetings with the Scottish Government Integration team which includes both Chief Executives, Head of Finance for Orkney Islands Council, Director of Finance for NHS Orkney, Chief Officer, Chief Finance Officer, Third Sector Interface and the voting members of Orkney IJB.

The Chief Officer represented the Orkney IJB in a variety of different groups, including the Chief Officers' network and associated sub groups, the Mental Health Strategic Delivery Group and is the Chair of both the Alcohol and Drug Partnership and Community Justice Partnership. The Chief Officer is also Vice Chair of the Domestic Abuse Forum.

The Chair and Vice Chair of the Orkney IJB are part of the Scotland wide network of Chairs and Vice Chairs of IJBs' Executive Group and the Chair is on the Ministerial Strategy Group.

The Chief Finance Officer is part of the national Chief Finance Officer group, and inputs to national issues when required.

Due to the current absence of the Chief Officer, the Interim Chief Executive for the Council has agreed to sign the accounts as accountable officer. In the meantime, the Parties have agreed the secondment of an interim Chief Officer, Gillian Morrison, who commenced in August 2020.

### **Governance Principle F – Managing risks and performance through robust internal control and strong public financial management.**

The Orkney IJB has a risk management strategy and the management of risks are included within section 10 of the management commentary. It has been agreed that the Risk Register will be updated once the Strategic Commissioning Implementation Plan has been approved.

The Chief Finance Officer is responsible for formally reporting on a quarterly basis to the Orkney IJB on the development and progress of Risk Management and for ensuring that the Risk Management Strategy is implemented and evaluated effectively.

The Performance Framework uses various measures to show how well the services commissioned by the Orkney IJB are performing. Further information on performance

can be found in section 5 of the management commentary. The revised Strategic Planning Group will be tasked with updating and presenting a quarterly performance report to the Orkney IJB.

The Orkney IJB's system of internal control is based on a framework of financial regulations, regular management information and management supervision.

The Audit Committee, through its consideration of reports by internal and external auditors, monitors the effectiveness of internal control procedures.

The Chief Finance Officer is the appointed Section 95 Officer and provides advice on all financial matters and the effective system of internal financial control under the terms of the Financial Regulations, while ensuring timely production and reporting of budget monitoring and annual accounts.

### **Governance Principle G – Implement good practices in transparency, reporting and audit to deliver effective accountability.**

The Orkney IJB's business is conducted through a quarterly cycle of board meetings held in public, unless exempt under statutory provision, with principle committee meetings audio-cast live and recordings available thereafter for download from Orkney Islands Council's public website. One week prior to a committee meeting the agenda and associated reports are issued to all Board Members and the public via Orkney Islands Council's website. There is a standard reporting format in place to ensure consistency of approach and consideration by Members to provide transparency in decision making. From April 2020 due to COVID-19 these meetings have been held virtually and recorded. At the end of the meeting the recording is uploaded online along with the reports.

The published Annual Accounts is the statutory summary of the Orkney IJB's financial affairs for the financial year. The purpose is to provide clear information on the income and expenditure, the operational and performance review, the key risks and uncertainties and the financial outlook moving forward.

The Chief Internal Auditor reports directly to the Orkney IJB Audit Committee with the right of access to the Chief Finance Officer, the Chief Officer and/or the Chair of the Orkney IJB's Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment and is approved by the Orkney IJB Audit Committee.

The internal audit function is provided by Scott Moncrieff, who are the internal auditors for NHS Orkney. This arrangement covers the period 2019-21.

### **Review of Adequacy and Effectiveness**

The Orkney IJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Senior Management Team who have responsibility for development and maintenance of the governance environment.

The Orkney IJB Audit Committee approved the Internal Audit Plan for 2019/20 on 29 August 2019, which approved the following audit areas;

- Implementation of IJB Strategy – Review of strategic planning process in light of changes to the IJB strategy.
- Budgeting – Review of arrangements for setting and monitoring budget, including variance analysis and financial reporting.

The Implementation of the IJB Strategy was presented to the Orkney IJB Audit Committee on 18 March 2020, which stated that although there were three moderate risks, there is a gained assurance that the process to develop the IJB Strategy is well designed and operating effectively in the areas reviewed.

The Budgeting paper was presented to the Orkney IJB Audit Committee on 17 September 2020 which highlighted significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective and 7 recommendations of which 4 of them are high and identified in the action plan for 2020/21.

The review of implementation of IJB strategy identified three moderate risk findings. The review of budgetary processes noted seven findings, four of these were noted as high priority with the remaining findings noted as medium priority.

### **Action Plan 2020/21**

From the identified high priority actions, they are being addressed as follows;

<b>Risk.</b>	<b>Management Action.</b>
<p>That each of the proposals, made by the Ministerial Strategic Group for Health and Community Care are progressed, with processes and resources put in place so that the IJB is effectively supported in managing its financial priorities and financial management.</p> <p>It should be considered that processes be included within the integration scheme.</p>	<p>The Integration Joint Board's Discussion Forum, which includes members from the Local Authority, Health Board and IJB will be re-established to update on the progress made to date and an action plan will be created on when these actions will be completed.</p>
<p>A working group, or groups, should be established to identify how budget savings will be implemented. The output from the group(s) should inform clear implementation and decommissioning plans so that budget savings are made linked to strategic priorities, plans and policies.</p>	<p>A Finance Workshop was undertaken in August 2020 to start generating budget savings proposals.</p> <p>A working group will be established to take forward these proposals for consideration by the IJB.</p>
<p>The Orkney IJB and the Orkney Health Board should prioritise establishing robust and timeous processes for the planning, performance and management of set aside hospital functions and associated resources.</p>	<p>The Director of Finance at NHS Orkney and Chief Finance Officer will agree on what information shall be available on a timeous basis for reporting in regard to the planning,</p>



	<p>performance and management of set aside.</p> <p>A report shall be going to the September IJB detailing the background of the set aside budget and the pressures of spend.</p>
<p>The Orkney IJB and the Health Board should prioritise how budget savings specific to unscheduled care will be made.</p>	<p>A report will be submitted to the IJB in Sep 2020 highlighting the pressures within the set aside and how they were funded previously.</p> <p>A working group will be established to take forward how budget savings can be achieved.</p>

In regard to the action plan from 2018/19 Annual Accounts the following have been addressed;

<b>Risk.</b>	<b>Progress Update.</b>
Delay of publication of Strategic Plan.	The Strategic Plan was approved in November 2019.
Delay in setting Key Delivery Targets.	The Strategic Commissioning Implementation Plan will be presented to the Orkney IJB by December 2020.
No Medium-Term Financial Plan.	The plan was submitted and approved at the Orkney IJB on the 25 <sup>th</sup> June 2019.
No Approved Budget.	No progress has been made resulting in budgets still not approved.
Recovery Plan.	The Orkney IJB had a balanced budget at year end but this will be addressed within the review of the integration scheme by March 2021.

### **Orkney Islands Council**

There was an internal audit on Self Directed Support which was presented to the Orkney IJB Audit Committee on 19 November 2019. The audit provides adequate assurance that the processes and procedures relating to implementation of Self-Directed Support are well controlled and managed. The audit report did not include any high priority recommendations to be addressed.

## **NHS Orkney**

The overall opinion from the NHS Orkney internal auditors is that a framework of controls is in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

### **Conclusion and Opinion on Assurance**

In our opinion Orkney Health and Social Care Integration Joint Board has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks. However, in the area of budget processes only limited assurance of the operation of controls can be provided.

**John Mundell**  
**Interim Chief Executive**  
**Orkney Islands Council**  
**17 September 2020**

**Rachael King**  
**Chair of Orkney IJB**  
**17 September 2020**

## **Independent Auditor's Report**

### **Independent auditor's report to the members of the Orkney Integration Joint Board and the Accounts Commission.**

#### **Report on the audit of the financial statements**

##### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of Orkney Integration Joint Board for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Orkney Integration Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is 4 years. I am independent of Orkney Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Orkney Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## **Conclusions relating to going concern basis of accounting**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Orkney Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

## **Responsibilities of the Chief Finance Officer and the Audit Committee of Orkney Integration Joint Board**

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Orkney Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit Committee is responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform

audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other information in the annual accounts**

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

#### **Matters on which I am required to report by exception**

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

### **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman MA FCA CPFA  
Audit Director  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DH

September 2020

## Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices.

2018/19				2019/20		
Gross Spend	Gross Income	Net Spend		Gross Spend	Gross Income	Net Spend
£000	£000	£000		£000	£000	£000
161	0	161	Corporate Services (note 2)	227	0	227
2,374	(112)	2,262	Support Services and Overheads	2,599	(277)	2,322
394	0	394	Alcohol and Drug Partnership	453	0	453
553	(94)	459	Voluntary Sector by SLAS excluding commissioned Services	540	(94)	446
4,444	(75)	4,369	Children and Families	4,821	(108)	4,713
4,674	(7)	4,667	Prescribing	4,810	(1)	4,809
8,744	(2,117)	6,627	Elderly Residential, Supported and Day Care	8,974	(2,547)	6,427
5,610	(228)	5,382	Disability	6,070	(309)	5,761
934	(171)	763	Mental Health	1,164	(129)	1,035
1,193	(161)	1,032	Other Community Care	1,300	(164)	1,136
615	(8)	607	Occupational Therapy	615	(17)	598
4,025	(136)	3,889	Home Care	4,345	(127)	4,218
361	(300)	61	Criminal Justice	288	(288)	0
1,507	(18)	1,489	Community Nursing	1,592	(18)	1,574
9,991	(502)	9,489	Primary Care	10,430	(428)	10,002
838	0	838	Allied Health Professionals	912	(2)	910
304	(18)	286	Rehabilitation	320	(55)	265
872	0	872	Midwifery	979	(10)	969
7,911	(40)	7,871	Unscheduled Care (note 3)	8,629	(12)	8,617
<b>55,505</b>	<b>(3,987)</b>	<b>51,518</b>	<b>Cost of Services</b>	<b>59,068</b>	<b>(4,586)</b>	<b>54,482</b>
0	(51,635)	(51,635)	Taxation and Non-Specific Grant Income (note 4)	0	(54,824)	(54,824)
55,505	(55,622)	(117)	(Surplus) or Deficit on Provision of Services	59,068	(59,410)	(342)
55,505	(55,622)	(117)	Total Comprehensive (Income) and Expenditure	59,068	(59,410)	(342)

There are no statutory or presentation adjustments that affect the Orkney IJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these Annual Accounts.

## Movement In Reserves Statement

This statement shows the movement in the year on the Orkney IJB's reserves. The movements that arise due to statutory adjustments affecting the General Fund balance are separately identified from the movements due to accounting practices.

<b>2019/20</b>	<b>General Fund Balance</b>	<b>Earmarked Reserves</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	0	(117)	(117)
Other Comprehensive Income and Expenditure	0	(225)	(225)
Total Comprehensive Income and Expenditure	0	(342)	(342)
<b>Balance at 31 March 2020</b>	<b>0</b>	<b>(342)</b>	<b>(342)</b>



## Balance Sheet

The Balance Sheet shows the value of the Orkney IJB's assets and liabilities as at the balance sheet date. The net assets of the Orkney IJB (assets less liabilities) are matched by the reserves held by the Orkney IJB.

<b>2018/19</b>		<b>Notes</b>	<b>2019/20</b>
<b>£000</b>			<b>£000</b>
134	Short term Debtors	<b>5</b>	360
<b>134</b>	<b>Current Assets</b>		<b>360</b>
(17)	Short term Creditors	<b>6</b>	(18)
<b>(17)</b>	<b>Current Liabilities</b>		<b>(18)</b>
<b>117</b>	<b>Net Assets</b>		<b>342</b>
117	Earmarked Reserves		342
<b>117</b>	<b>Total Reserves</b>		<b>342</b>

The unaudited accounts were issued on 23 June 2020 and the audited Annual Accounts were authorised for issue on 17 September 2020.

**Pat Robinson**  
**Chief Finance Officer**  
**17 September 2020**

# Notes to the Financial Statements

## Note 1 Summary of Significant Accounting Policies

The Financial Statements for the year ended 31 March 2020 have been prepared in accordance with proper accounting practice as per Section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Orkney IJB and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

- **Accruals basis** – the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received.
- **Going concern** – the going concern concept assumes that the Orkney IJB will continue in existence for the foreseeable future.
- **Understandability** – users of the financial statements are assumed to have a reasonable knowledge of accounting and local government.
- **Relevance** – the information in the financial statements is useful for assessing the Orkney IJB's stewardship of public funds and for making economic decisions.
- **Materiality** – information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information.
- **Reliability** – information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared.
- **Primacy of legislative requirements** – legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

The Accounts have been prepared under the historic cost convention.

### Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Expenditure is recognised when goods or services are received, and their benefits are used by the Orkney IJB.
- Income is recognised when the Orkney IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down.

## **VAT status**

The Orkney IJB is a non-taxable entity and does not charge or recover VAT on its functions as long as it does not deliver any supplies and services that fall within the scope of VAT.

The VAT treatment of expenditure in the Orkney IJB's accounts depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where Orkney Islands Council is the provider, income and expenditure exclude any amounts related to VAT, as all VAT collected is payable to H.M. Revenue and Customs and all VAT paid is recoverable from it. Where NHS Orkney is the provider, expenditure incurred will include irrecoverable VAT as generally NHS Orkney cannot recover VAT paid as input tax and NHS Orkney will charge the full cost to the Orkney IJB.

## **Contingent Assets and Liabilities**

Contingent assets and liabilities are not recognised in the financial statements but are disclosed as a note to the accounts where they are deemed material. There were no contingent assets and liabilities in 2019/20.

## **Employee Benefits**

The Orkney IJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The Orkney IJB therefore does not present a Pensions Liability on its Balance Sheet.

The Orkney IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement as at 31 March 2020 is accrued, for example in relation to annual leave earned but not yet taken.

Charges from funding partners for other staff are treated as administration costs.

## **Post-employment benefits**

The Orkney IJB does not participate in a formal pension scheme. The Chief Officer participates in the Local Government Pension Scheme which is managed by Orkney Islands Council who makes the relevant contributions.

## **Funding**

The Orkney IJB is primarily funded through funding contributions from the statutory funding partners, Orkney Islands Council and NHS Orkney. Expenditure is incurred as the Orkney IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Orkney.

## Cash and Cash Equivalents

The Orkney IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the Orkney IJB by the funding partners. Consequently, the Orkney IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March 2020 is represented as a debtor or creditor on the Orkney IJB's Balance Sheet.

## Indemnity Insurance

The Orkney IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding the Orkney IJB member and officer responsibilities. NHS Orkney and Orkney Islands Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

There were no claims in 2019/20.

## Note 2 Corporate Services

The corporate services costs are as follows:

2018/19		2019/20
£000		£000
126	Staff Costs	193
10	Other Costs	7
25	Audit Fees	27
<b>161</b>	<b>Total</b>	<b>227</b>

## Note 3 Critical Judgements and Estimation Uncertainty

Where a critical judgement has been made this is referred to in the relevant note to the financial statements. However, a summary of those with the most significant effect is detailed below.

There were no critical judgements for the 2019/20 Annual Accounts as the unscheduled care budget was not formally delegated to the Orkney IJB. NHS Orkney has advised that these resources will be delegated to the Orkney IJB in financial year 2020/21.

## Note 4 Taxation and Non-Specific Grant Income

2018/19		2019/20
£000		£000
19,389	Funding contribution from Orkney Islands Council	19,940
32,246	Funding contribution from NHS Orkney	34,884
<b>51,635</b>	<b>Taxation and Non-specific Grant Income</b>	<b>54,824</b>

The funding from NHS Orkney shown above includes £8,617k in respect of unscheduled care resources relating to acute hospital resources. The associated services are provided by NHS Orkney, which retains responsibility for managing the costs of providing the services. However, the Orkney IJB has responsibility for the consumption of, and level of demand placed on, these resources.

## Note 5 Debtors

2018/19		2019/20
£000		£000
117	NHS Orkney	342
17	Orkney Islands Council	18
<b>134</b>	<b>Total</b>	<b>360</b>

## Note 6 Creditors

2018/19		2019/20
£000		£000
0	NHS Orkney	0
17	Orkney Islands Council	18
<b>17</b>	<b>Total</b>	<b>18</b>

## Note 7 External Audit Costs

Audit Scotland is the appointed external auditor for the 2019/20 audit. The fee is £26,560. This fee covers the costs of planning, delivering and reporting the annual audit including auditors' attendance at committees.

## Note 8 Related Party Transactions

The Orkney IJB is required to disclose material transactions with related parties / bodies or individuals that have the potential to control or influence the Orkney IJB or to be controlled or influenced by the Orkney IJB. Disclosure of these transactions allows readers to assess the extent to which the Orkney IJB might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Orkney IJB.

The Orkney IJB has related party relationships with NHS Orkney and Orkney Islands Council. The nature of the partnership means that the Orkney IJB may influence, and be influenced by, its partners. The following transactions and balances included in the Orkney IJB's accounts are presented to provide additional information on the relationships.

The Scottish Government has significant influence over the general activities of the Orkney IJB. It is responsible for providing the statutory framework within which the Orkney IJB is constituted and will operate, through partner agencies provides the majority of the Orkney IJB's funding and prescribes the terms of many of the transactions that the Orkney IJB has with other parties (e.g. Orkney Islands Council, NHS Orkney).

Members of the Orkney IJB have control over the Orkney IJB's financial and operating policies to the extent they are transacted through the Orkney IJB.

### Transactions with NHS Orkney

2018/19		2019/20
£000		£000
32,246	Funding contributions received from NHS Orkney	34,884
<b>32,246</b>	<b>Net Transactions with NHS Orkney</b>	<b>34,884</b>

### Transactions with Orkney Islands Council

2018/19		2019/20
£000		£000
19,389	Funding contributions received from Orkney Islands Council	19,940
<b>19,389</b>	<b>Net Transactions with Orkney Islands Council</b>	<b>19,940</b>

There are also a range of support services for the Orkney IJB including legal services, audit services, personnel services and finance services whereby there is no charge from either partner.

### Note 9 Events after the Balance Sheet date

The unaudited accounts were issued on 23 June 2020 by Pat Robinson FCCA, Chief Finance Officer, who is the proper officer of the Board in accordance with Section 95 of the Local Government (Scotland) Act 1973. The audited annual accounts reflect events after 31 March 2020 up to the date the audited accounts were authorised for issue. Where events taking place before this date provided information about conditions existing as at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information, if appropriate.

There have been no material events since the date of the Balance Sheet which necessitate the revision of the figure in the financial statements or notes thereto including contingent assets and liabilities.

# Orkney Integration Joint Board

2019/20 Annual Audit Report



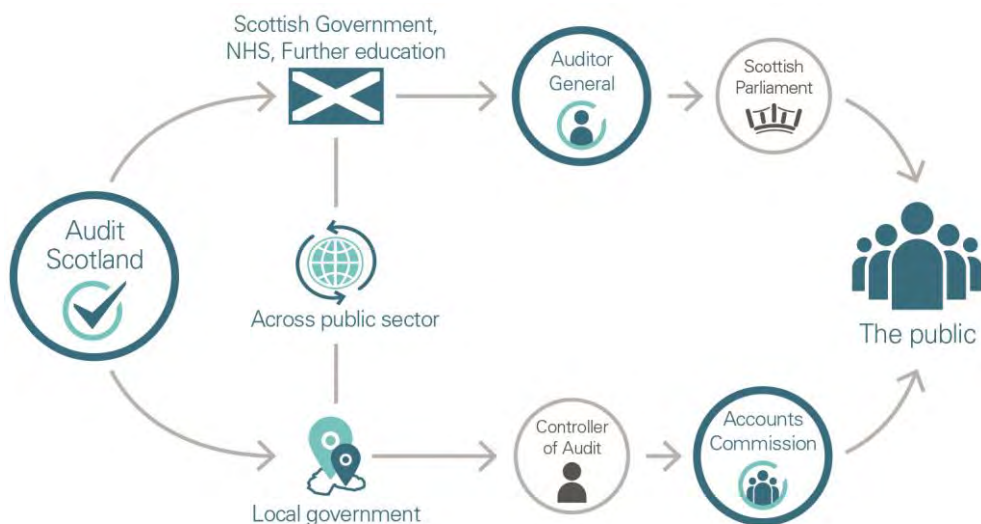
Prepared for Orkney Integration Joint Board and the Controller of Audit

September 2020

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.



# Contents

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Key messages	4
Introduction	5
Part 1 Audit of 2019/20 annual accounts	8
Part 2 Financial management and sustainability	11
Part 3 Governance, transparency and best value	16
Appendix 1 Action plan 2019/20	20
Appendix 2 Significant audit risks identified during planning	23
Appendix 3 Summary of national performance reports 2019/20	26

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# Key messages

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## 2019/20 annual accounts

- 1 Our audit opinions on the annual accounts of the IJB are unmodified. These cover the financial statements, the remuneration report, the management commentary and the annual governance statement.

## Financial management and sustainability

- 2 The IJB reported a year end surplus of £0.342 million. The surplus relates to funding received by NHS Orkney for specific services and is held within earmarked reserves.
- 3 The unscheduled care budget is being transferred to the IJB from 2020/21 and therefore robust arrangements for managing the budget require to be agreed.
- 4 The IJB budget for 2020/21 has not been formally approved due to uncertainty around funding allocations from NHS Orkney. Consequently, the IJB cannot conclude its financial priorities for 2020/21.
- 5 The IJB partners have advised that £4.2 million savings are required to be achieved to ensure financial balance is sustained over the three-year period to 2022/23. To date £0.144 million of savings have been identified and there is a significant risk that the IJB will not be able to commission services and operate within budget.
- 6 The IJB has still to review and update its Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit), as this will compound any funding gap.

## Governance, transparency and best value

- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. However, this would be enhanced if members received refresher training covering their role and responsibilities over financial reporting and scrutiny.
- 8 During the year, the IJB experienced changes within Orkney Health and Care senior management team with the resignation of the chief social work officer in February 2020 and temporary arrangements were in place until an interim replacement commenced in July 2020.
- 9 The IJB does not have an effective performance management framework and there were insufficient monitoring arrangements in place in 2019/20.
- 10 The IJB's performance report, which has been delayed until September 2020, will include an assessment of performance in relation to best value, including information about how the planning and delivery of services in pursuance of integration functions have contributed to securing best value. We will monitor progress in implementing these initiatives and report further in our annual audit report in 2020/21

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# Introduction

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**1.** This report is a summary of our findings arising from the 2019/20 audit of Orkney Integration Joint Board (the IJB).

**2.** The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee meeting on 18 March 2020. This report comprises the findings from the main elements of our work in 2019/20 including:

- an audit of the IJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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**3.** Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have a significant impact into financial year 2020/21. This has had significant implications for the provision and costs of services which may result in the suspension of planned projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

## Adding value through the audit

4. We add value to the IJB, through audit, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

5. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

6. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice (2016), supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

## Auditor Independence

12. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**13.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**14.** This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**15.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

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# Part 1

## Audit of 2019/20 annual accounts

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### Main judgements

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**Our audit opinions on the annual accounts of Orkney Integration Joint Board are unmodified. These cover the financial statements, the remuneration report, the management commentary and the annual governance statement.**

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**Despite the Covid-19 global pandemic, the unaudited annual accounts were submitted on 25 June 2020, in line with original timescales.**

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The annual accounts are the principal means of reporting financial performance and demonstrating stewardship of the resources put at the disposal of the IJB.

### Our audit opinions on the annual accounts are unmodified

**16.** The annual accounts for the year ended 31 March 2020 were approved by the IJB Audit Committee on 26 August 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

**17.** We received the unaudited copy of the annual accounts and supplementary working papers package on 25 June 2020 in line with the agreed timetable.

**18.** The working papers provided with the unaudited annual accounts in support of the primary financial statement were of a good standard and the Chief Finance Officer provided good support to the audit team.

**19.** The Covid-19 global pandemic did not have an adverse impact on the quality and timeliness of the accounts and working papers.

### Applying the concept of materiality

**20.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual accounts.

**21.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). We assess the materiality of uncorrected misstatements, both individually and collectively. On receipt of the annual accounts we reviewed our original materiality calculations and concluded that they remained appropriate.

## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£0.6 million
Performance materiality	£0.3 million
Reporting threshold	£6 thousand

Source: 2019/20 Orkney IJB Annual Audit Plan

### Risks identified at the planning stage and our audit work to address these

**22.** [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

**23.** We identified four significant risks of material misstatement in relation to the financial statements in 2019/20 at the planning stage. At the conclusion of the audit we have no issues to report with regards to our work on significant risks and we have gained sufficient assurance to support our audit opinion.

### Significant findings to report on the annual accounts

**24.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

**25.** We identified one significant finding in relation to the management commentary which is summarised in [Exhibit 3](#).

**26.** There were no misstatements above our reporting threshold identified as a result of our audit work.

## Exhibit 3

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Management Commentary reporting of performance</b></p> <p>The management commentary included detailed performance analysis, which related to 2017/18. The IJB evaluates performance against national data and this was not fully available at the time of reporting.</p> <p>To allow focus to be on responding to the Covid-19 pandemic, the Scottish Government has agreed that IJB's Annual Performance Reports can be delayed from June until October 2020.</p> <p>Additional Guidance was issued by the Scottish Government which allows performance analysis using Key Performance Indicators (KPIs) to be excluded as long as a link to performance information is inserted elsewhere or a statement outlining issues is included.</p>	<p>The IJB has reduced the performance analysis substantially in the 2019/20 annual accounts and has focussed on locally available information. We have agreed this approach is reasonable and in line with the revised guidance.</p>

Source: Audit Scotland

### The Management Commentary has improved in 2019/20

**27.** The Management Commentary that accompanies the financial statements should clearly explain how the IJB has performed against budget and how this is reconciled to the financial statements. Our Annual Audit Plan highlighted that the IJB required a quality assurance process to ensure the content of the management commentary is clear, concise and compliant with guidance.

**28.** The draft annual accounts were reviewed by Orkney Health and Care management and the appropriate partner officers prior to issue of the draft accounts.

**29.** We are pleased to report that there had been improvement to the management commentary and annual governance statement since 2018/19. However, the draft accounts still required some revision to ensure the accounts presented a clear, concise and balanced summary of the IJB's performance in 2019/20.



# Part 2

## Financial management and sustainability



### Main judgements

The IJB reported a year end surplus of £0.342 million. The surplus relates to funding received by NHS Orkney for specific services and is held within earmarked reserves.



The unscheduled care budget is being transferred to the IJB from 2020/21 and therefore robust arrangements for managing the budget require to be agreed.

The IJB budget for 2020/21 has not been formally approved due to uncertainty around funding allocations from NHS Orkney. Consequently, the IJB cannot conclude its financial priorities for 2020/21.

The IJB partners have advised that £4.2 million savings are required to be achieved to ensure financial balance is sustained over the three-year period to 2022/23. To date £0.144 million of savings have been identified and there is a significant risk that the IJB will not be able to commission services and operate within budget.

The IJB has still to review and update their Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit), as this will compound any funding gap.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### The IJB operated within its revised budget in 2019/20

**30.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure of services commissioned by the IJB is incurred by partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this to the IJB.

**31.** The IJB spent £54.482 million delivering health and social care services in 2019/20 and reported a year end surplus of £0.342 million. The surplus was in relation to funding received by NHS Orkney for specific services (primary care and alcohol and drugs partnership) and is held within earmarked reserves.

**32.** [Exhibit 4](#) highlights the surplus was achieved as a result of additional contributions from the IJB partners to meet costs. At the time of the indicative budget NHS Orkney had not agreed a budget for unscheduled care services, this was agreed at year end and amounted to £8.617 million. In addition to this an allocation of £1.34 million was made in relation to delegated services. Orkney Islands Council (the Council) provided additional funding of £0.388 million during the year to ensure a break-even position.

## Exhibit 4

### Performance against budget

IJB budget summary	Indicative Budget £m	Revised Budget £m	Actual Outturn £m
Funding from NHS Orkney	24.927	34.884	34.542
Funding from Orkney Islands Council	19.552	19.940	19.940
Total funding	44.479	54.824	54.482

Source: Orkney IJB 2019/20 budget monitoring reports and Annual Report and Accounts

**33.** In 2019/20 non-recurring efficiency savings from the Council of £0.017 million were included within the budget. NHS Orkney did not agree any efficiency savings with the IJB at the budget setting stage, however, following the year end an efficiency saving of £0.13 million was applied. It is important any efficiency savings are agreed at the start of the financial year and incorporated into the budget to allow effective financial management.

### Set aside budgets for unscheduled care will be under the IJB's control from 2020/21

**34.** In 2019/20 set aside provision increased to £8.617 million, an increase of 9.5 percent from £7.871 million in 2018/19. This represents the costs incurred to provide acute services as part of the unscheduled care arrangements.

**35.** When setting the budget, it is the responsibility of the IJB and NHS Orkney to agree how much the IJB expects to need for unscheduled acute hospital care. The set aside approach means that the agreed amount remains with NHS Orkney rather than being paid to the IJB, however, a critical part of this arrangement is that the set aside budget should remain under the control of the IJB.

**36.** In 2019/20 the set aside budget was not operated by the IJB and control remained with NHS Orkney. This is out of line with statutory guidance issued by the Scottish Government.

**37.** The financial planning processes with the IJB and NHS Orkney have proved challenging in prior years. From April 2020 it is anticipated the IJB will have more control over the set aside budget in line with Scottish Government Guidance, however, as at April 2020 only an indicative figure of £7.409 million has been provided.

**38.** The budget is planned to be formally approved at the IJB in September 2020. The long-term aim of the Scottish Government is that costs for unscheduled acute care are reduced and there is a shift to community spending. For this to be achieved at the IJB, good partnership working will be crucial.



### Recommendation 1

**The IJB and NHS Orkney should agree robust arrangements for managing the unscheduled care budget.**

## The IJB budget has not been formally approved for 2020/21

**39.** The IJB has prepared an Annual Budget for 2020/21 which was presented to the Board in April 2020 and noted a baseline budget of £46.724 million. Due to uncertainties over partner contributions this was for noting only and was not approved.

**40.** The annual budget has not been formally approved in each of the three years from 2018/19 to 2020/21 due to uncertainties over partner contributions. Differing budget timescales have proved to be an ongoing issue. The Audit Scotland report [Health and social care integration: Update on progress](#), published in November 2018, highlighted the integration of financial planning, between IJB's and their partner bodies, was a common issue across Scotland.

**41.** There were specific challenges in approving the budget in 2020/21 due to the Covid-19 pandemic and delays in partnership bodies approving their budgets.

**42.** It is important that the IJB has an approved budget prior to the start of the financial year to ensure the funds are directed appropriately and in line with the Strategic Commissioning Plan.



### Recommendation 2

**The Chief Finance Officer and partners should be in a position to agree financial plans which are realistic and sustainable prior to the start of each financial year.**

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**43.** An internal audit review of the IJB budget process highlighted that there are significant weaknesses in the framework of governance, risk management and control such that it could be or become inadequate and ineffective. The review identified the following four high priority actions all focused on the budget setting processes and are in line with our comments on partnership working. The IJB require to:

- progress proposals made by the Ministerial Strategic Group for Health and Community Care ensuring processes and resources are in place to enable the IJB to effectively manage its financial priorities and financial management.
- identify how budget savings will be implemented and linked to strategic priorities, plans and policies.
- establish robust and timeous processes for the planning, performance and management of set aside hospital functions and associated resources.
- prioritise how budget savings specific to unscheduled care will be made.

**44.** While the budget setting process requires development, we observed that senior management and members receive regular and accurate financial information on the IJB's financial position. We are satisfied that the IJB has appropriate budget monitoring arrangements.

**The IJB has a medium-term financial plan in place. However, the implications of Covid-19 should be incorporated into financial plans once fully identified.**

**45.** Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to manage the way services should be delivered.

**46.** The IJB approved a medium-term financial plan for the period 2019 to 2022 in June 2019. This identified a shortfall of £1.6 million in each year from 2019/20 to 2021/22 totalling £4.92 million. This plan does not include the financial impact of the Covid-19 pandemic.

**47.** NHS Orkney and the Council have prepared a local mobilisation plan and a financial pressures update in line with Scottish Government requirements. The projected impact of the pandemic is additional costs of £2.3 million in 2020/21.

**48.** The IJB has recognised that Covid-19 will have an exceptional impact on health and social care services during 2020/21 and has made the decision to report the costs of Covid-19 separately through the local mobilisation plans. It is assumed that the costs associated with Covid-19 will be covered by the partner bodies.

## Efficiency Savings

**49.** At a Board meeting in April 2020 the members were informed that the IJB partners have advised that £4.2 million savings are required to be achieved to ensure financial balance is sustained over the three-year period to 2022/23. This equates to £1.4 million recurring savings per year.

**50.** Recurring savings of £0.144 million have been identified in 2020/21. This leaves £4.056 million to be found in 2021/22 and 2022/23 which will be a significant challenge.

**51.** If the IJB is to deliver the required savings, then consideration will need to be given to transformational changes which may include the decommissioning of services.



### Recommendation 3

**The IJB should work with partners to agree a detailed programme of efficiency savings to ensure the IJB can deliver services while operating within budgets.**

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## Integration scheme

**52.** In 2017/18 we recommended that the IJB should review and update their Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit) as this will compound any funding gap.

**53.** This recommendation has not been addressed and is included again in [Appendix 1](#).

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### Recommendation 4

**The IJB should review and update their Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit) as this will compound any funding gap.**

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## Financial systems of internal control operated effectively

**54.** The IJB relies on the information generated by its partner bodies (the Council and NHS Orkney) for key financial systems such as the ledger and payroll. The details of the IJB's financial transactions are processed through the partners' systems and those partners are responsible for appropriate systems of internal control. The IJB's transactions are maintained separately from those of the partner bodies in respective ledgers.

**55.** As part of our audit approach and in accordance with ISA 402, we sought assurances from the external auditors of NHS Orkney and the Council, and they confirmed there were no weaknesses in the respective systems of internal control.

## Internal audit

**56.** Internal audit provides the IJB and the Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes.

**57.** The internal audit function is carried out by Scott Moncrieff. We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

**58.** Scott-Moncrieff has concluded their 2019/20 audit work and presented their Annual Report, which included the annual internal audit opinion, to the 26 August 2020 Audit Committee.

**59.** At the time of reporting, we did not have the internal audit opinion and relied on correspondence with the internal auditor to confirm that other than the significant issues raised as part of the budget setting process there were no other areas of concern. We will confirm the internal audit opinion is correctly incorporated into the annual governance statement prior to signing the accounts.

**60.** In 2019/20 there were some delays to the internal audit work programme with the IJB Budgetary Processes review fieldwork conducted in quarter four and subsequently reported to the August 2020 Audit Committee meeting.

**61.** The delay is partially due to the impact of Covid-19, however, this increases the risk that insufficient assurance will be achieved at the year-end to allow the accounts to be signed.

**62.** The 2020/21 Internal Audit Plan has yet to be presented to the Audit Committee. We will liaise with the IJB over the assurance framework in place in 2020/21.

## Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

**63.** The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partnership bodies. We reviewed the arrangements in place at partnership bodies and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest is publicly available on the partners' websites.

**64.** We have concluded that appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

# Part 3

## Governance, transparency and best value



### Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. However, this would be enhanced if members received refresher training covering their role and responsibilities over financial reporting and scrutiny.



During the year, the IJB experienced changes within Orkney Health and Care senior management team with the resignation of the chief social work officer in February 2020 and temporary arrangements were in place until an interim replacement commenced in July 2020.

The IJB does not have an effective performance management framework and there were insufficient monitoring arrangements in place in 2019/20.

The IJB's performance report has been delayed until September 2020 as permitted by Scottish Government Guidance. The IJB has committed to including an assessment of Best Value within their performance report. We will monitor progress in implementing these initiatives and report further in our annual audit report in 2020/21.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

### Overall governance and transparency arrangements were appropriate

**65.** The governance and transparency arrangements we consider include:

- board and committee structure and conduct
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption.
- openness of board and committees
- reporting of performance and whether this is fair, balanced and understandable.

**66.** The IJB is responsible for the management and delivery of health and social care services in the Orkney Isles and includes three voting members each from NHS Orkney and the Council as well as a non-voting representation from a range of service users.

**67.** The IJB is supported by an audit committee which met four times during 2019/20. From our attendance at the IJB and audit committee meetings and our review of minutes we have concluded that the IJB members and management understand the distinct nature of their roles and responsibilities. The IJB members ability to fulfil their roles and responsibilities would be improved through receiving financial statements refresher training, to help enhance overall scrutiny.



## Recommendation 5

### The IJB members should undertake refresher training covering their role and responsibilities over financial reporting and scrutiny.

**68.** At the end of the financial year the senior management team was operating with diminished capacity. In February 2020 the Chief Social Work Officer resigned and temporary arrangements were put in place until an interim replacement commenced in July 2020.

**69.** The Board also has two non-voting vacancies for staff and unpaid carer representatives.

### The Covid-19 pandemic had a significant effect on governance arrangements from March 2020

**70.** The Governance Statement in the IJB's annual accounts notes that due to the Covid-19 pandemic some changes were made to the governance arrangements in place. An IJB meeting was held on 9 April 2020 to approve the revised governance arrangements. The following steps were taken to allow staff to prioritise their response to the outbreak:

- the suspension of meetings in public in accordance with the IJB's legal duty to protect public health and comply with social distancing guidance
- voting members to meet weekly with the Chief Officer and Chief Finance Officer
- delegated authority to the Chief Officer to take decisions on respect of matters that would require Board approval. Powers were returned to the Board on 12 May 2020.

**71.** We consider the measures taken by the Board to be proportionate and appropriate.

### Meetings are held in public and papers are available on the council website

**72.** There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

**73.** All IJB and audit committee meetings are open to the public, with the exception of those which took place after the Covid-19 measures. However, audio casting of meetings has continued throughout the pandemic.

**74.** Notice of all meetings is available through the Council website. There are a small number of papers scheduled for private consideration in specific circumstances. The website also contains a section for the IJB papers and audit committee papers.

**75.** Overall, we concluded that the IJB conducts its business in an open and transparent manner.

Best Value is concerned with using resources effectively and continually improving services.

## Best Value

**76.** The IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

**77.** The audit findings included throughout this report, comment on arrangements that have been put in place by the IJB to secure Best Value in areas such as financial position, financial management, governance and performance management.

**78.** The IJB has committed to including an assessment of Best Value within its performance report. We will monitor progress in implementing these initiatives and report further in our annual audit report in 2020/21.

## Performance management

**79.** Financial performance is reported regularly to the IJB. The management commentary that accompanies the annual accounts also explains the IJB's financial performance in the year. It includes a description of the financial performance against budget, including the key reasons for variances. It also provides a reconciliation of the outturn in the financial monitoring report to the movement on the general fund contained in the financial statements and reports on the delivery of savings against target.

**80.** The IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**81.** The IJB did not provide performance management information to those charged with governance throughout the financial year.

**82.** We understand that information at a national level has been unavailable in relation to the Scottish Government's nine National Health and Wellbeing outcomes.

**83.** The IJB also have a number of local key performance indicators that are measured against peer groups and no performance reports have been provided to members during 2019/20. The benefits of performance management information can only be achieved if the information is accurate and received in time to drive improvement actions.

**84.** The IJB should improve arrangements for reporting local performance information, to ensure effective arrangements for managing performance are in place. This minimises the risk that performance failures are not identified in sufficient time to take corrective action.



### Recommendation 6

**The IJB should create a robust approach to performance management and monitor performance regularly.**

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## Annual Performance Report

**85.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires an annual performance report to be completed within four months of the year end. The annual performance report has been delayed until September 2020 due to Covid-19.

**86.** The IJB's performance report, which has been delayed until October 2020, will include an assessment of performance, including information about how the planning and delivery of services in pursuance of integration functions have contributed to continuous improvement.

**87.** We will monitor progress in implementing these initiatives and report further in our annual audit report in 2020/21.

## National performance audit reports

**88.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published reports some of which may be of direct interest to the board as outlined in [Appendix 3](#).

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Unscheduled Care Budget</b></p> <p>Arrangements for the set aside budget for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance.</p> <p>From April 2020 it is anticipated the IJB will have control over the set aside budget.</p> <p><b>Risk</b> - There is a risk that set aside budgets do not operate in line with Scottish Government Guidance.</p>	<p>The IJB and NHS Orkney should agree robust arrangements for managing the unscheduled care budget.</p> <p>Paragraph 38</p>	<p>A paper will be submitted to the IJB in Sep 2020 detailing the budget that has been delegated and the pressures associated with these budgets.</p> <p>This will be addressed as part of the action plan following the internal audit of the budgetary processes which will be reported on.</p> <p>Chief Finance Officer Sept 2020</p>
2	<p><b>Budget Approval</b></p> <p>The budget for 2019/20 was again accepted with partners but not formally approved. The 2020/21 budget has not been formally approved due to uncertainty around funding allocations from partners.</p> <p><b>Risk</b> - There is a risk that the IJB is not able to deliver its statutory duties and strategic priorities if realistic financial plans have not been agreed prior to the start of each financial year.</p>	<p>The Chief Finance Officer and partners should be in a position to agree financial plans which are realistic and sustainable prior to the start of each financial year.</p> <p>Paragraph 42</p>	<p>This will be addressed as part of the action plan following the internal audit of the budgetary processes which will be reported on. The budget for 2021/22 will be approved by March 2021.</p> <p>Chief Officer / Chief Finance Officer March 2021</p>

3	<b>Financial sustainability</b>	<p>The IJB should work with partners to agree a detailed programme of efficiency savings to ensure the IJB can deliver services while operating within budgets.</p>	<p>A Finance Workshop has been developed to inform and raise awareness of the current situation. The anticipated outcome of this will be for managers to generate and collate ideas to reconfigure services and to build on existing collaborative arrangements.</p>
	<p>The IJB Partners have advised that a £4.2 million of efficiency savings are required to be achieved over the next three years, however, a detailed programme of savings still requires to be approved to ensure a balanced budget.</p>	<p>Paragraph 51</p>	<p>Chief Officer / Chief Finance Officer</p>
	<p><b>Risk</b> – the IJB may not be able to deliver a break-even outturn in 2020/21 and beyond.</p>		<p>March 2021</p>
4	<b>Integration Scheme Review</b>	<p>The IJB should review and update their Integration Scheme to ensure there is a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year's additional funding (in the event of a deficit) as this will compound any funding gap,</p>	<p>This recommendation has been considered by the 'Parties' to the integration scheme but it has been decided to remain with the current wording at present due to the financial outlook and general budgetary prudence.</p>
	<p>The IJB has planned to undertake a review of their integration scheme over the past two years however, the commencement of the new Chief Officer in September 2018 and then the Covid-19 pandemic has resulted in the this being delayed.</p>	<p>Paragraph 53</p>	<p>However, a detailed review will be commenced by March 21.</p>
	<p>An area which we have highlighted in previous years that requires to be reviewed is that Integration Scheme currently includes a section (2.10.7.5) which states that any additional payments paid by partner bodies may be deducted from future years funding.</p>		<p>Chief Officer</p>
	<p><b>Risk</b> – There is a risk that complying with this paragraph in the Integration Scheme could jeopardise financial sustainability of the IJB.</p>		<p>March 2021</p>
5	<b>Members' Training</b>	<p>The IJB members should undertake refresher training covering their role and responsibilities over financial reporting and scrutiny.</p>	<p>Scope and timescales for training will be agreed with Audit Scotland to present refresher training to members during 2020/21.</p>
	<p>The IJB members understanding of the distinct nature of their roles and responsibilities could be improved through receiving financial statements refresher training, to help enhance overall scrutiny.</p>	<p>Paragraph 67</p>	<p>Chief Officer / Chief Finance Officer</p>
	<p><b>Risk</b>- There is a risk that the opportunity for members to discharge their responsibilities effectively is reduced if they do not have a comprehensive understanding of the financial statements.</p>		<p>December 2020</p>

<p><b>6 Performance Management</b></p> <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><b>Risk</b> - There is a risk that performance failures are not identified in sufficient time to take corrective action.</p>	<p>The IJB should create a robust approach to performance management and monitor performance regularly.</p> <p>Paragraph 84</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> <p>Chief Officer December 2020</p>
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### Follow up of prior year recommendations

**(A number of prior year recommendations are ongoing and have been highlighted above and therefore not duplicated in this section)**

<p><b>7 GDPR Review</b></p> <p><b>Brought forward from 2017/18</b></p> <p>The IJB has not carried out an internal review to assess the impact of GDPR coming into force.</p> <p><b>Risk</b> - There is a risk that the IJB could be in breach of its statutory responsibilities under GDPR.</p>	<p>The IJB should consider the impact of GDPR on its operations to ensure that its processes for processing personal data comply with the requirements of the new legislation.</p>	<p>A report was presented to the IJB in December 2019.</p> <p>Complete</p>
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# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

### Risks of material misstatement in the financial statements

<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Service auditor assurances will be obtained from the auditors of Orkney Island Council and NHS Orkney over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>We have not identified any instances of management override from our testing.</p>
<p><b>2 Financial Reporting</b></p> <p>Orkney Integration Joint Board requires to implement a quality assurance process to help support the Chief Finance Officer in preparing the annual accounts to ensure the content is clear, concise and adheres to guidance prior to submission for audit.</p>	<p>We will liaise with key officers to ensure a quality assurance process is in place and the audit of the financial statements is not delayed as a result of the quality of the financial statements received for audit.</p>	<p>The draft 2019/20 annual accounts were reviewed by Orkney Health and Care management team and partner section 95 officers prior to submission for audit.</p> <p>Following our audit, the management commentary and annual governance statement required some revision to ensure the accounts presented a clear, concise, and balanced summary of the IJB's performance in 2019/20.</p>
<p><b>3 Projected financial outturn</b></p> <p>The 2019/20 budget has not been formally approved.</p> <p>The financial monitoring report presented to the December 2019 Board indicates that the Orkney Integration Joint Board will have a projected overspend of £0.152 million at the year end.</p>	<p>Ensure budget monitoring is robust and accurately reflects the financial position.</p> <p>Confirmation of compliance with Orkney Integration Scheme.</p> <p>Review of recovery plans put in place by partners for reasonableness.</p>	<p>At 31 March 2020, the IJB reported an underspend of £0.342 million against its un-approved 19/20 budget.</p> <p>The underspend related to ringfenced funding not utilised by NHS Orkney and is held as an earmarked reserve,</p>

There is risk that expenditure and income are not in line with expectations, leading to an unplanned surplus or deficit.

Additional payments may be required from the council and health board which could result in difficulties in producing a balanced outturn in future years.

<p><b>4 Unscheduled care budget</b></p> <p>NHS Orkney agreed to formally delegate the unscheduled care budget to the Orkney Integration Joint Board in 2018/19. However, to date this has not been undertaken.</p> <p>There is an ongoing risk that set aside in the annual accounts is not being managed by the Orkney Integration Joint Board as expected by legislation.</p>	<p>Confirmation that the unscheduled care budget has been transferred by 31 March 2020, providing comment in our annual audit report</p>	<p>NHS Orkney agreed to delegate the unscheduled care budget to the IJB from 1 April 2020 for the forthcoming year 2020/21. This will be formally approved by the IJB at their September Board meeting.</p>
<p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p>		
<p><b>5 Integration Scheme Review</b></p> <p>A review of the Integration Scheme was planned for 2018/19 however, it has been delayed. As part of this review the Orkney Integration Joint Board should review section (2.10.7.5) which states that any additional payments paid by partner bodies may be deducted from future years' funding.</p> <p>There is a risk that this will compound any future funding gap</p>	<p>Confirmation of agreement of funding and balances with host bodies.</p> <p>Confirmation of proposed changes to the integration scheme providing comment in our annual audit report.</p>	<p>The Integration Scheme review is outstanding and we have included a recommendation in Appendix 1.</p>
<p><b>6 Financial Sustainability</b></p> <p>Orkney Integration Joint Board's medium-term financial plan 2019-22 identifies a funding gap of approximately £5 million facing the Board by 2022. Work is required to ensure that financial pressures can be addressed. There is a risk that Orkney Integration Joint Board may not be able to deliver the targeted saving in 2019/20 and beyond.</p>	<p>Review of reports to the Board to assess progress and report within our annual audit report.</p>	<p>The IJB partners have advised that £4.2 million savings are required to be achieved over the next 3 years. To date only £0.144 million of savings has been identified.</p> <p>The achievement of savings targets is a significant ongoing challenge for the IJB. We have included a recommendation in Appendix 1.</p>

**7 Value for money – reporting best value**

Orkney Integration Joint Board publishes an annual performance report as prescribed by the Public Bodies (Joint Working) (Scotland) Act 2014. The Board also has a duty to make arrangements to secure best value. However, the Orkney Integration Joint Board has not yet reported on its arrangements to secure best value.

The performance report for 2019/20 should set out how the Orkney Integration Joint Board demonstrates that it is meeting its best value duties to ensure compliance with guidance and to demonstrate the delivery of best value to the residents of Orkney.

Review and report on Orkney Integration Joint Board's best value arrangements and reporting of these.

There has been no reporting on Best Value arrangements to date in year, however, the IJB is committed to including this in its Annual Performance Report which has been delayed due to Covid-19.

We have highlighted that improvement is required to ensure performance monitoring arrangements are effective. We have included a recommendation in Appendix 1.

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# Appendix 3

## Summary of national performance reports 2019/20

		 <b>2019/20 Reports</b>	
		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	 Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	 Early learning and childcare: follow-up

### NHS relevant reports

[NHS workforce planning – part 2](#) – August 2019

[NHS in Scotland 2019](#) – October 2019

### Local Government relevant reports

[Local government in Scotland: Financial overview 2018/19](#) – December 2019



# Orkney IJB

## 2019/20 Annual Audit Report

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