

**Stephen Brown (Chief Officer)**  
Orkney Health and Social Care Partnership  
01856873535 extension: 2601  
[OHACfeedback@orkney.gov.uk](mailto:OHACfeedback@orkney.gov.uk)



Agenda Item: 5

## **Performance and Audit Committee**

**Date of Meeting: 28 September 2022.**

**Subject: External Annual Audit Report.**

### **1. Purpose**

1.1. To consider the External Auditor's Annual Audit Report to those charged with governance of the Orkney Integration Joint Board Annual Accounts.

### **2. Recommendations**

The Performance and Audit Committee is invited to note:

2.1. That, Audit Scotland, as the Integration Joint Board's External Auditor, has concluded its audit of the Board's Annual Accounts for the year ended 31 March 2022.

2.2. That Audit Scotland's audit opinion on the Annual Accounts of the Integration Joint Board are unmodified for the 2021/22 Annual Accounts.

2.3. Audit Scotland's covering letter in respect of the Integration Joint Board Annual Audit Report, attached as Appendix 1 to this report, in accordance with the International Standard of Auditing 580.

2.4. The Integration Joint Board's Letter of Representation to Audit Scotland in connection with its audit of the Annual Accounts of the Integration Joint Board for the year ended 31 March 2022, attached as Appendix 2 to this report.

2.5. The Annual Audit Report prepared for Orkney Integration Joint Board and the Controller of Audit in respect of the Integration Joint Board's Annual Accounts, attached as Appendix 3 to this report.

### **3. Background**

3.1. The key messages of the 2021/22 Annual Audit Report are:

- The audit opinion on the Annual Accounts of the Integration Joint Board is unmodified.

- The audited part of the remuneration and staff report, performance report and annual governance statement are all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

3.2. The scope of the audit was set out in the 2021/22 Annual Audit Plan presented to the Audit Committee on 16 March 2022. The annual audit report comprises the findings from the following:

- The audit of the Integration Joint Board's Annual Accounts.
- Consideration of the four audit dimensions that frame the wider scope of public audit set out in the Code of Audit Practice 2016.
- A review of the arrangements put in place by the Integration Joint Board to secure Best Value.

## **4. Audit Findings**

4.1. Audit Scotland's covering letter in respect of the Integration Joint Board's Annual Audit Report, attached as Appendix 1 to this report, confirms that, in terms of the International Standard on Auditing 580 (ISA 580), auditors are required to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

4.2. As part of the completion of the audit, Audit Scotland seeks written assurances from the Section 95 Officer on aspects of the financial statements and judgements and estimates made. The Integration Joint Board's letter of representation is attached as Appendix 2 to this report.

4.3. The auditors have reported that their independent auditor's report, which will be issued on 28 September 2022, contains an unmodified opinion on the Integration Joint Board's Statement of Accounts for the year ended 31 March 2022. The independent auditor's report will certify that the accounts have been properly prepared in accordance with applicable law, accounting standards and other reporting requirements.

4.4. Audit Scotland's Annual Report to the Integration Joint Board and the Controller of Audit in respect of the Integration Joint Board's Annual Accounts, attached as Appendix 3 to this report, has 2021/22 recommendations outstanding which are as follows:

- The financial statements were not advertised in accordance with the Local Authority Accounts (Scotland) Regulations 2014.
- The four-year Medium Term Financial Plan identified a cumulative funding gap of between £0.6 million to £7.9 million based on different assumed scenarios. There are no proposed actions included in the plan and the Integration Joint Board is yet to develop savings options.
- A number of the governing documents have not been reviewed since 2018 and are difficult to find on the website.
- The Integration Joint Board should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding

partners to account. However, performance management information was not provided to those charged with governance throughout the financial year.

## 5. Contribution to quality

Please indicate which of the Orkney Community Plan 2021 to 2023 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.	Yes.
<b>Innovation:</b> To overcome issues more effectively through partnership working.	No.
<b>Leadership:</b> To involve partners such as community councils, community groups, voluntary groups and individuals in the process.	No.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	Yes.

## 6. Resource and financial implications

6.1. The cost of external audit for 2021/22 was £27,960 which was met from the resources of the Integration Joint Board.

## 7. Risk and equality implications

7.1. There are no risks arising directly from this report. External audit is part of a process of scrutiny and an assurance that makes a positive contribution to risk management.

## 8. Direction required

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

NHS Orkney.	No.
Orkney Islands Council.	No.

## 9. Escalation required

Please indicate if this report requires escalated to:

NHS Orkney.	No.
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## 10. Author and contact information

10.1. Pat Robinson (Chief Finance Officer), Integration Joint Board. Email: [pat.robinson@orkney.gov.uk](mailto:pat.robinson@orkney.gov.uk), telephone: 01856873535 extension 2611.

## 11. Supporting documents

11.1. Appendix 1: Audit Scotland ISA 580 Covering Letter.

11.2. Appendix 2: The Integration Joint Board's Letter of Representation to Audit Scotland.

11.3. Appendix 3: Annual Audit Report to Members and the Controller of Audit of the Integration Joint Board's Annual Accounts.

T: 0131 625 1500

E: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



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## The Performance and Audit Committee of Orkney Integration Joint Board

28 September 2022

### Orkney Integration Joint Board Audit of 2021/22 annual accounts

#### Independent auditor's report

1. Our audit work on the 2021/22 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 September 2022 (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Performance and Audit Committee's consideration our draft annual report on the 2021/22 audit. The section headed "Significant findings from the audit of the annual accounts" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to be corrected.

#### Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Performance and Audit Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from Section 95 Officer**

**8.** As part of the completion of our audit, we are seeking written representations from the Chief Finance Officer on aspects of the annual accounts, including the judgements and estimates made.

**9.** A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

## Appendix A: Proposed Independent Auditor's Report

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

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Orkney Integration Joint Board for the year ended 31 March 2022 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of Orkney Integration Joint Board as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 6 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 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on 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 when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on Orkney Integration Joint Board's current or future financial sustainability. However, I report on Orkney Integration

Joint Board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## **Responsibilities of the Chief Finance Officer and the Performance and Audit Committee of Orkney Integration Joint Board for the financial statements**

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 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 there is an intention to discontinue Orkney Integration Joint Board's operations.

The Performance and Audit Committee of Orkney Integration Joint Board 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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how Orkney Integration Joint Board is complying with that framework;
- identifying which laws and regulations are significant in the context of Orkney Integration Joint Board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Orkney Integration Joint Board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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 skilfulness 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.

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.

## Reporting on other requirements

### Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

### Other information

The Chief Finance Officer is responsible for other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

### Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

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;

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 Scotland  
102 West Port  
Edinburgh  
EH3 9DN

## Appendix B: Letter of Representation (ISA 580)

Gillian Woolman  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

Dear Gillian

### Orkney Integration Joint Board Annual Accounts 2021/22

1. This representation letter is provided in connection with your audit of the annual accounts of Orkney Integration Joint Board for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Performance and Audit Committee, the following representations given to you in connection with your audit of Orkney Integration Joint Board's annual accounts for the year ended 31 March 2022.

#### General

3. Orkney Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Orkney Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

#### Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (2021/22 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Orkney Integration Joint Board at 31 March 2022 and the transactions for 2021/22.

#### Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2021/22 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All

accounting policies applied are appropriate to Orkney Integration Joint Board circumstances and have been consistently applied.

**8.** The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

**9.** I have assessed Orkney Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Orkney Integration Joint Board's ability to continue as a going concern.

### **Liabilities**

**10.** All liabilities at 31 March 2022 of which I am aware have been recognised in the annual accounts.

**11.** Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2022 of which I am aware where the conditions specified in the 2021/22 accounting code have been met.

**12.** There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Fraud**

**13.** I have provided you with all information in relation to

- my assessment of the risk that the financial statements may be materially misstated as a result of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

**14.** I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

**15.** All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2021/22 accounting code. I have made available to you the identity of all the Orkney Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

**16.** The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management commentary**

**17.** I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

**18.** I confirm that the Orkney Integration Joint Board has undertaken a review of the system of internal control during 2021/22 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

**19.** I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2022, which require to be reflected.

## **Balance Sheet**

**20.** All events subsequent to 31 March 2022 for which the 2021/22 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Pat Robinson  
Chief Finance Officer  
Orkney Integration Joint Board



### ***Working together to make a real difference***

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PR/SJ/01

20 September 2022

Gillian Woolman  
Audit Director Audit Scotland 4th Floor  
102 West Port  
Edinburgh  
EH3 9DN

Dear Gillian,

#### **Orkney Integration Joint Board Annual Accounts 2021/22**

1. This representation letter is provided in connection with your audit of the annual accounts of Orkney Integration Joint Board for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Performance and Audit Committee, the following representations given to you in connection with your audit of Orkney Integration Joint Board's annual accounts for the year ended 31 March 2022.

#### General

1. Orkney Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2021/22 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Orkney Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.



2. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### Financial Reporting Framework

1. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (2021/22 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

2. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Orkney Integration Joint Board at 31 March 2022 and the transactions for 2021/22

### Accounting Policies and Estimates

1. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2021/22 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Orkney Integration Joint Board circumstances and have been consistently applied

2. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### Going Concern Basis of Accounting

1. I have assessed Orkney Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Orkney Integration Joint Board's ability to continue as a going concern.

### Liabilities

1. All liabilities at 31 March 2022 of which I am aware have been recognised in the annual accounts.

2. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2022 of which I am aware where the conditions specified in the 2021/22 accounting code have been met.

3. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.



## Fraud

1. I have provided you with all information in relation to:

- My assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Any allegations of fraud or suspected fraud affecting the financial statements.
- Fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## Laws and Regulations

1. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## Related Party Transactions

1. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all the Orkney Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

## Remuneration Report

1. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

## Management commentary

1. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## Corporate Governance

1. I confirm that the Orkney Integration Joint Board has undertaken a review of the system of internal control during 2021/22 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

2. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2022, which require to be reflected.





## Balance Sheet

1. 20. All events subsequent to 31 March 2022 for which the 2021/22 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

**Pat Robinson**  
**Chief Finance Officer**

# Orkney Integration Joint Board

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Orkney Integration Joint Board and the Controller of Audit  
September 2022

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# Key messages

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## 2021/22 annual accounts

- 1 Our audit opinions on the annual accounts of the IJB are unmodified.
- 2 The audited part of the remuneration and staff report, performance report and annual governance statement are all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

## Financial management and sustainability

- 3 The IJB had appropriate and effective financial management arrangements in place over the course of the year to monitor, and apprise the Scottish Government of, financial performance.
- 4 As a consequence of receiving additional funding of £5.6 million, to cover additional costs arising from Covid-19 and the non-achievement of planned savings, the IJB reported an overall underspend of £3.8 million against a revised budget of £66.4 million.
- 5 Medium-term financial plans have been developed and these have been updated to reflect the impact of Covid-19. The IJB has projected a budget deficit of up to £7.9 million over the period from 2022-2025 and has, as yet, not identified savings plans to bridge that gap.

## Governance, Transparency and Best Value

- 6 The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.
- 7 The ability to secure Best Value relies on appropriate strategic documents and performance management information. The IJB has been slow to progress key strategic documents and to implement a performance management framework. However, arrangements have been in place since summer 2022 and we would expect to see more evidence of the duty of Best Value being fulfilled hereon.
- 8 Covid-19 continues to have an impact on performance at the IJB, however, in several areas performance is above the national average.

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# Introduction

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1. This report summarises the findings arising from the 2021/22 audit of Orkney Integration Joint Board (the IJB).
2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the 16 March 2022 meeting of the Audit Committee.
3. This report comprises the findings from:
  - the audit of the IJB's annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#)
  - a review of the arrangements put in place by the IJB to secure Best Value.
4. During 2021/22 the IJB continued to manage the operational and financial impact of the coronavirus pandemic and there remains significant challenges across a range of areas. Risks related to the pandemic were included in our Annual Audit Plan.

## Adding value through the audit

5. We add value to the IJB, through the 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 2](#)) and good practice guides
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## 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.
7. The IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

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

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

- the financial position and arrangements for securing financial sustainability
- the suitability and effectiveness of corporate governance arrangements
- the effectiveness of the IJB's performance management arrangements
- Best Value arrangements.

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

**11.** 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.

**12.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

## **Auditor Independence**

**13.** Auditors appointed by the Accounts Commission or Auditor General must comply with the [Code of Audit Practice 2016](#) 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.

**14.** 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 2021/22 audit fee of £27,960 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**15.** This report is addressed to both the IJB 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. We would like to thank the management and staff who have been involved in our work for their co-operation and assistance during the audit.

## Audit appointment from 2022/23

**16.** The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so 2021/22 is the last year of the current appointment round.

**17.** The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23 KPMG will be the appointed auditor for Orkney Integration Joint Board. We are working closely with the new auditors to ensure a well-managed transition.

**18.** A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

**19.** There are several significant changes introduced by the new Code, namely the integration of Best Value work into wider scope audit work and the audit of Best Value across the Integration Joint Boards.

## Acknowledgments

**20.** We would like to thank IJB members, Performance and Audit Committee members, the Chief Officer and the Chief Finance Officer for their co-operation and assistance over the last six years.

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# 1. Audit of 2021/22 annual accounts

The principal means of accounting for the stewardship of resources and performance

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## Main judgements

Our audit opinions on the annual accounts of the IJB are unmodified.

The audited part of the remuneration and staff report, performance report and annual governance statement are all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

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## Our audit opinions on the annual accounts are unmodified

**21.** The IJB's annual accounts for the year ended 31 March 2022 were approved by the Performance and Audit Committee on 28 September 2022. As reported in the independent auditor's report:

- 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 the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

## The annual accounts were signed off in line with our agreed audit timetable

**22.** The unaudited annual report and accounts were received in line with our agreed audit timetable on 30 June 2022. As in the previous two years the audit was conducted remotely, observing social distancing measures.

**23.** The completeness and accuracy of accounting records and the extent of the information and explanations that were required for our audit were not affected by the Covid-19 outbreak.

**24.** The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the



audit. This helped ensure that the audit of the annual accounts process ran smoothly.

## **There were no objections raised to the annual accounts**

**25.** The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the accounts.

**26.** Regulation 9 requires a local authority to give public notice on its website by 17 June of the right to inspect its annual report and accounts. The date for inspection should be 14 days after the publication of the notice but cannot be later than 1 July and the inspection should last for 15 working days from the date specified in the notice.

**27.** The inspection notice was not published until 27 June 2022 and therefore was outwith the timescales required by the regulations. It is important that timescales set out in the legislation are complied with to ensure members of the public have appropriate opportunity to inspect the accounts and raise any objections.

**28.** No objections were raised in relation to the 2021/22 annual report and accounts.

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## **Recommendation 1**

**Procedures should be put in place to ensure the financial statements are advertised in accordance with The Local Authority Accounts (Scotland) Regulations 2014**

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## **Overall materiality is £1 million**

**29.** We apply the concept of materiality in both planning and performing the audit. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts.

**30.** We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

**31.** We use materiality to evaluate the effect of identified misstatements and uncorrected misstatements on the audit and financial statements and when forming the opinion in the auditor's report.

**32.** Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual report

and accounts and was not changed from the levels set out in our Annual Audit Plan as shown in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£1 million
Performance materiality	£0.5 million
Reporting threshold	£40 thousand

Source: Audit Scotland

## Significant findings from the audit of the annual accounts

**33.** 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. We have no issues to report from the audit.

**34.** We identified some disclosure and presentational amendments during our audit which have been reflected in the final set of accounts.

**35.** We have obtained audit assurances over the identified significant risks of material misstatement to the financial statements. [Exhibit 2](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2021/22 Annual Audit Plan audit. It summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 2

### Significant risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Evaluate assurances obtained from the auditors of Orkney Islands Council and NHS Orkney over the completeness, accuracy and allocation of the journal entries.</p> <p>Agreement of balances and transactions to Orkney Islands Council and NHS Orkney financial reports.</p> <p>Make inquiries of individuals involved in the financial</p>	<p>We have not identified any indication of management override in the year leading to material misstatement or significant concern.</p> <p>Assurances were obtained from the external auditors of Orkney Islands Council and NHS Orkney.</p> <p>We have also reviewed management estimates and judgement. We did not identify any areas of bias in</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Evaluate any significant transactions outside the normal course of business.</p>	<p>key judgements made by management.</p>

## Other area of audit focus

**36.** In addition, as part of our 2021/22 Annual Audit, we identified one other area where we considered there to be risk of material misstatement to the financial statements. Based on our assessment of the likelihood and magnitude of this risk, we did not however consider this to represent a significant risk. The area of specific audit focus was:

- Payments to primary care contractors. These are a material and complex account area with payments totalling around £10 million each year. There was a qualification in the service auditor report in 2020/21, however we worked with the auditors of NHS Orkney to gain assurance over the reported figures in the financial statements. We will request assurance that the service auditor reports in 2021/22 provide sufficient assurance over the figures in the financial statements.

**37.** We received assurances from the auditors of NHS Orkney that 2021/22 service auditor reports covering the financial ledger, IT and practitioner services division are unqualified.

## Identified misstatements of £0.4 million were adjusted

**38.** Total misstatements identified were £0.4 million relating to the understatement of debtors and creditors. The adjustment did not have an impact on the surplus on provision of services or the level of reserves held.

**39.** We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error.

**40.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

**41.** Management have adjusted all identified misstatements above our reporting threshold and there are no unadjusted errors to report.

## **Good progress was made on prior year recommendations**

**42.** The IJB has fully implemented three of our prior year recommendations and is progressing the remaining two recommendations.

**43.** For actions not complete, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

## 2. Financial management and sustainability

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

### Main judgements

The IJB had appropriate and effective financial management arrangements in place over the course of the year to monitor, and apprise the Scottish Government of, financial performance.

As a consequence of receiving additional funding of £5.6 million, to cover additional costs arising from Covid-19 and the non-achievement of planned savings, the IJB reported an overall underspend of £3.8 million against a revised budget of £66.4 million.

Medium-term financial plans have been developed and these have been updated to reflect the impact of Covid-19. The IJB has projected a budget deficit of up to £7.9 million over the period from 2022-2025 and has, as yet, not identified savings plans to bridge that gap.

### We have obtained audit assurances over the wider audit dimension risks relating to Financial Sustainability, as identified in our 2021/22 Annual Audit Plan

44. [Exhibit 3](#) sets out the audit dimension risks relating to Financial Sustainability which we identified in our 2021/22 annual audit plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<b>1. Financial Sustainability</b> A savings target of £4.2 million has been applied for the three year period 2020 to	Review of ongoing budget monitoring and progress on meeting savings targets.	Although the IJB failed to achieve its savings target in year, a surplus position was reported due to additional

Audit risk	Assurance procedure	Results and conclusions
<p>2023, of which only £259.4K of recurring savings has been identified to date per the most recent financial monitoring report. NHS Orkney has applied a savings target of £1.8 million for 2021/22 with zero savings identified to date.</p> <p>Medium term financial planning will have to be revised to determine a realistic approach to achieving savings targets.</p>	<p>Review of revised financial plans and the development of savings options at the IJB.</p>	<p>funding received from the Scottish Government as outlined at paragraph 46.</p> <p>We considered how the IJB balances the management of its medium term financial position with demand.</p> <p>Our detailed findings on the IJB’s framework for achieving financial sustainability over the medium term is set out from paragraph 58. below.</p>
<p><b>2. Unscheduled Care (Set Aside)</b></p> <p>The “set aside” budget is Orkney Integration Joint Board’s share of the budget for delegated acute services provided by hospitals on behalf of the IJB. There is a risk that although the unscheduled care budget is delegated to the IJB the arrangement is not working as intended.</p>	<p>Review of the set aside arrangements in place.</p> <p>Engage with officers to ensure a robust mechanism has been developed to budget for the set aside income and expenditure.</p>	<p>In 2021/22 a development session was held with members on developing the set aside budget and the IJB’s role in setting the unscheduled care budget.</p> <p>The set aside budget of £8 million was agreed as part of the 2022/23 budget setting process.</p> <p>There is limited cashable savings that can be taken from the fixed costs related to a relatively small hospital.</p>

## The IJB returned an underspend in 2021/22

**45.** The IJB reported an underspend of £3.8 million against a budgeted breakeven position as shown in [Exhibit 4](#). The surplus on provision of services has been transferred to useable reserves bringing the total balance to £6.1 million (2021/22: £2.3 million).

**46.** Throughout the year additional non-recurring allocations of £11.5 million were provided by partner bodies and the Scottish Government to fund specific activities commissioned by the IJB.

**47.** Covid-19 continued to have a significant impact on the IJB’s financial outturn in 2021/22. The most significant impact was felt in services commissioned from NHS Orkney and IJB continued to submit mobilisation returns via NHS Orkney to the Scottish Government.

**48.** The £11.5 million additional non-recurring allocations included £3.8 million to meet increased costs associated with Covid-19 and £1.8 million to fund savings which were not achieved as a result of the pandemic. In 2021/22 the

IJB utilised £3.8 million of the funding received for Covid-19 with the balances carried forward as an earmarked reserve.

**49.** The level of reserves held by the IJB has increased going into 2022/23, however the majority of funding in reserves is ring fenced for specific purposes including £2.3 million for meeting the costs of Covid-19 and £ 1.1 million for primary care services.

## Exhibit 4

### Performance against budget

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
NHS Orkney	34.2	44.1	40.7	(3.4)
Orkney Islands Council	20.7	22.3	21.9	(0.4)
<b>Total Net Expenditure</b>	<b>54.9</b>	<b>66.4</b>	<b>62.6</b>	<b>(3.8)</b>

Source: Orkney IJB 2021/22 budget monitoring reports and annual accounts

### Budget processes were appropriate

**50.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff, although the position of Chief Officer is regarded as staff in accordance with regulations.

**51.** All IJB funding and expenditure is received and incurred by Orkney Islands Council and NHS Orkney, as the partner bodies. The IJB works with the partner bodies to build its annual budgets and relies on information from the partner's financial systems to monitor the financial position against budget.

**52.** The 2021/22 budget was approved by the IJB in April 2021 and forecast a breakeven position based on the use of earmarked reserves and the achievement of savings targets.

**53.** Quarterly finance updates were submitted to meetings of the IJB throughout the year. The reports outlined projected variances against budget and actions allocated to officers.

**54.** We observed that senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements.



## The IJB has developed financial plans covering the short and medium term but action plans to bridge financial gaps have not yet been developed

**55.** In April 2022 the IJB approved a balanced budget of £58.9 million. The balanced budget is contingent on the IJB delivering a savings target of £2.4 million relating to services commissioned from NHS Orkney.

**56.** In recent years the IJB has failed to achieve its savings targets delivering only £0.3 million of the £4.2 million target required over the three year period from 2020/21.

**57.** The IJB has identified savings of £0.5 million of the 2022/23 savings target but there is recognition more needs to be done to bridge the financial gap.

**58.** The medium term financial plan was approved in June 2022 and highlighted both the short and longer term financial challenges. The plan covers the period from 2022/23 to 2025/26 identifies a cumulative funding gap of between £0.6 million to £7.9 million based on different assumed scenarios.

**59.** The IJB continues to face unprecedented challenges to the sustainability of the system, some of which have been exacerbated by the COVID-19 pandemic. The IJB is faced with an ageing population, an increase in demand, an aging workforce and limited resource availability.

**60.** There is recognition that to balance the budget going forward there will need to be a redesign of services and some difficult choices. While the IJB has identified a need to transform services, detailed savings initiatives over the medium term are yet to be developed.

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## Recommendation 2

The IJB should develop savings options over the short to medium term to bridge the identified funding gaps.

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## Financial systems of internal control operated effectively

**61.** The IJB relies on the information generated by its partner bodies (the Orkney Islands 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.

**62.** As part of our audit approach, we sought assurances from the external auditor of NHS Orkney and Orkney Islands Council and confirmed there were no significant weaknesses in the systems of internal controls for either the health board or the council.

## **Standards of conduct and arrangements for the prevention and detection of fraud and error were 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.

# 4. Governance, transparency and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information

## Main Judgements

The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.

The ability to secure Best Value relies on appropriate strategic documents and performance management information. The IJB has been slow to progress key strategic documents and to implement a performance management framework. However, arrangements have been in place since summer 2022 and we would expect to see more evidence of the duty of Best Value being fulfilled hereon.

Covid-19 continues to have an impact on performance at the IJB, however, in several areas performance is above the national average.

## We have obtained audit assurances over a wider audit dimension risk relating to Best Value identified in our 2021/22 Annual Audit Plan

65. [Exhibit 6](#) sets out the audit dimension risk relating to Best Value which we identified in our 2021/22 annual audit plan. It summarises the audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

### Exhibit 5

#### Risk identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Performance and Best Value Reporting</b></p> <p>Management information is provided to those charged with governance through the annual performance report.</p>	<p>Monitor performance reporting to ensure OIJB is reporting in-line with the new Performance Management Framework.</p>	<p>The IJB changed the terms of reference of the Audit Committee in 2021/22 to include performance within its remit. The inaugural meeting of the Performance and Audit</p>

Audit risk	Assurance procedure	Results and conclusions
<p>As this is an annual process there is a risk that performance failures are not identified in sufficient time to take corrective action.</p> <p>Historically the annual performance report has not included an assessment of the IJB's best value arrangements. There is a risk that the IJB is not able to demonstrate that it is complying with guidance and delivering best value to the residents of Orkney.</p>	<p>Consider the IJB's best value arrangements and whether there is appropriate scrutiny of best value by those charged with governance.</p>	<p>Committee took place in June 2022.</p> <p>There is recognition that the Performance Management Framework is still in development and further work is required to identify what information would be most beneficial to members.</p> <p>Our conclusions on Best Value and performance management are outlined at paragraphs 78. to 88.</p>

### The IJB's governance and transparency arrangements are appropriate

**66.** In common with all other public bodies in Scotland the IJB moved to revised governance arrangements at the beginning of the UK lockdown. The IJB and committees met virtually throughout the financial year but have moved to in person meetings in 2022/23.

**67.** We are satisfied that the IJB maintained its schedule of business throughout the year.

**68.** We have reviewed the committee minutes and papers throughout the year. The papers are available to the public via the Orkney Islands Council website and are sufficiently detailed to allow for effective decision making and scrutiny of performance.

**69.** We attended the Audit Committee throughout 2021/22 and we observed and concluded that members are engaged during the meetings and provide effective scrutiny and challenge.

### Performance reporting within the annual accounts was sufficiently clear

**70.** In addition to the opinions on the management commentary and annual governance statement covered in part 1 of our Annual Audit Report, we also consider the qualitative aspects of the narrative disclosures.

**71.** The management commentary should provide a fair, balanced and understandable analysis of the IJB's performance as well as help stakeholders to understand the financial statements. The governance statement should provide users of the financial statements with a clear understanding of the IJB's internal control structure and its management of resources.

**72.** We considered the content of both the management commentary and the annual governance statement and concluded that they have been prepared in line with statutory guidance and other reporting requirements.

**73.** As part of our review we considered the adequacy of financial performance information in the report and concluded this provided users of the accounts with a clear picture of the financial performance of the IJB.

### **Integration scheme review**

**74.** The Public Bodies (Joint Working) (Scotland) Act 2014 required a review of the integration schemes by March 2021. The IJB, NHS Orkney and Orkney Islands Council conducted an interim review which identified no high priority actions for 2020/21, however, it was agreed that a more detailed review would take place in 2021/22.

**75.** Following the full review there was only one substantial change to the delegated functions. Maternity services should be delegated back to services provided by NHS Orkney rather than being delegated to the IJB. The reason for this was the linkage between maternity services and gynaecology and obstetrics.

**76.** As a result of audit recommendations in 2019/20 the revised scheme was also updated to ensure there was a shared understanding between partners that it is undesirable to cut subsequent years' funding allocations by the current year additional funding as this would compound any funding gaps identified by the IJB.

**77.** The revised scheme was submitted to the Scottish Government for comments and feedback before being approved by the IJB and partner bodies in winter 2021. The finalised Integration Scheme was approved by Scottish Ministers in May 2022.

### **The IJB has made progress in developing arrangements to secure Best Value**

**78.** IJBs have a statutory duty to have arrangements to secure Best Value. To achieve this IJBs should have effective processes for scrutinising performance, monitoring performance against their strategic objectives and holding partners to account.

**79.** We reported in 2020/21 that the IJB was developing key strategic documents to support the achievement of Best Value.

**80.** In June 2021 the IJB approved an updated Strategic Commissioning Implementation Plan (SCIP) which focused on delivering the final year of the 2019 - 2022 Strategic Plan and recovery from Covid-19.

**81.** The IJB approved a revised Strategic Plan covering the period from 2022 to 2025 in June 2022. The Strategic Plan has two overarching priorities: early intervention and prevention; and tackling equalities and disadvantage.

**82.** Monitoring performance against strategic plans is key to demonstrating Best Value. As a result of a previous audit recommendation, the IJB approved a performance management framework designed to link inputs, outputs and outcomes.

**83.** The IJB developed an approach to monitoring performance during 2021/22 which included the revision of the terms of reference of the Audit Committee. The new Performance and Audit Committee's remit includes the review of quarterly performance reports, the review of external inspection reports and consideration of self-evaluation priorities.

**84.** Quarterly performance reporting commenced in July 2022. The report provides an overview of the current data gathered across health and care services. It is recognised that there is scope to make the information more meaningful and the IJB plan on holding a development session with members to agree what data and contextual information would be most useful.

### **Covid-19 continues to have an impact on performance at the IJB**

**85.** The IJB receives an annual performance report to provide assurance in line with the statutory requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

**86.** Management presented the annual performance report for 2020/21 to the IJB in October 2021 as allowed in the Coronavirus (Scotland) Act 2021.

**87.** The annual performance reporting timeline is moving toward pre-Covid timescales and the report for 2021/22 will be presented to the IJB in September 2022. The information available at the time of our audit indicates that the pandemic has had a substantial impact on performance at the IJB with performance falling across seven of the nine national indicators.

**88.** This is not unique to Orkney as performance has fallen across Scotland on the whole. Across several of the national indicators the IJB performs better than the national average, however, the IJB recognises the need to take action to bring performance back to pre-Covid levels.

### **Further progress has been made in addressing issues in child services**

**89.** Over the past two financial years the IJB has been working to implement recommendations arising from a Care Inspectorate report on a Joint Inspection of Services for Children and Young People in need of Care and Protection in Orkney.

**90.** There were 27 actions arising from the report over four themes: governance, assurance and data; policy, systems, process and procedure; getting it right for every for every child; and corporate parenting.

**91.** The IJB has been monitoring progress in implementing actions across both 2020/21 and 2021/22. The Care Inspectorate and partners have also

conducted two follow-up reviews focusing on progress made in addressing the findings.

**92.** The most recent review findings were presented to the IJB in June 2022 and it was highlighted that the IJB and partners had continued to make changes designed to improve practice and encourage consistency.

**93.** The Care Inspectorate found there had been developments to support engagement of children and young people in decisions about their lives, however, they reported there was no mechanism for routinely collecting information about the children's satisfaction with the outcomes.

**94.** The IJB continues to recognise challenges with its management information systems and recruitment and retention of social workers. There is an ongoing risk that these issues could impact the IJB's ability to demonstrate continuous improvement in this service area and the IJB are taking actions to mitigate these risks.

### **National performance audit reports**

**95.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 2](#).

# Appendix 1. Action plan 2021/22

## 2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Advertising the Financial Statements</b></p> <p>The financial statements were not advertised in accordance with the Local Authority Accounts (Scotland) Regulations 2014.</p> <p>Risk – there is a risk that the public does not have the ability to inspect and object to the accounts as appropriate.</p>	<p>Procedures should be put in place to ensure the financial statements are advertised in accordance with The Local Authority Accounts (Scotland) Regulations 2014</p> <p><a href="#">Paragraph 27.</a></p>	<p>This will be incorporated within the audit planning stages to adhere to the timescales.</p> <p>Chief Finance Officer 31/03/23</p>
<p><b>2. Medium term savings options</b></p> <p>The four year Medium term Financial Plan identified a cumulative funding gap of between £0.6 million to £7.9 million based on different assumed scenarios.</p> <p>There are no proposed actions included in the plan and the IJB is yet to develop savings options.</p> <p>Risk – there is a risk that the IJB does not achieve financial balance across the medium term.</p>	<p>The IJB should consider developing savings options over the short to medium term to bridge the identified funding gaps.</p> <p><a href="#">Paragraph 60.</a></p>	<p>There is ongoing discussions on how to ensure that services can be delivered within the available financial envelope.</p> <p>Ongoing work with Heads of Service and Financial Sustainability Office. These plans will be detailed within future iteration of Medium Term Financial Plan.</p> <p>Chief Officer/Chief Finance Officer 31/12/2022</p>



## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Medium term financial plan update</b></p> <p>The medium term financial plan and savings targets were developed prior to the emergence of Covid-19. The increased costs of Covid-19 are therefore not yet reflected.</p> <p>Risk – There is a risk that the IJB will not be able to deliver services over the medium term.</p>	<p>The existing medium-term financial plan should be revised to take account of the impact of Covid-19 and incorporate plans for generating the revised level of required savings.</p>	<p>Complete</p> <p>An updated medium term financial plan was presented to the IJB in June 2022.</p>
<p><b>4. Governing documents</b></p> <p>A number of the governing documents have not been reviewed since 2018 and are difficult to find on the website.</p> <p>Risk – There is a risk that the governing documents do not reflect current arrangements nor meet the IJB's commitment to openness and transparency.</p>	<p>The IJB should ensure that key governance documents are up to date and easily accessible by the public.</p>	<p>Outstanding</p> <p>There is an action log to highlight all documents to ensure they are updated and will be on website</p> <p>Chief Officer</p> <p>31/12/22</p>
<p><b>5. 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. From April 2020 it is anticipated the IJB will have control over the set aside budget.</p> <p>Risk – 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>Complete</p> <p>We are satisfied there is appropriate engagement with NHS Orkney over the set aside budget.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>6. Integration Scheme Review</b></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 this being delayed. 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>Risk – There is a risk that complying with this paragraph in the Integration Scheme could jeopardise the financial sustainability of the IJB.</p>	<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>Complete</p> <p>The revised Integration Scheme was approved by the IJB in December 2022 and by Scottish Ministers in May 2022.</p>
<p><b>7. 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. However, performance management information was not provided to those charged with governance throughout the financial year.</p> <p>Risk – 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>Ongoing</p> <p>A performance management framework has been developed.</p> <p>The Terms of Reference of the Audit Committee has been updated to include performance within its remit.</p> <p>The Performance and Audit Committee meet quarterly with a performance report brought to every committee. The IJB are working to ensure the content of the performance report is meaningful and useful for members.</p>

# Appendix 2. Summary of 2021/22 national performance reports and briefing papers

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## May

[Local government in Scotland Overview 2021](#)

## June

[Covid 19: Personal protective equipment](#)

## July

[Community justice: Sustainable alternatives to custody](#)

## September

[Covid 19: Vaccination programme](#)

## January

[Planning for skills](#)

[Social care briefing](#)

## February

[NHS in Scotland 2021](#)

## March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

# Orkney Integration Joint Board

## 2021/22 Annual Audit Report

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
Phone: 0131 625 1500 Email: [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)