

**Gillian Morrison (Interim Chief Officer)**

Orkney Health and Care

01856873535 extension: 2611

[OHACfeedback@orkney.gov.uk](mailto:OHACfeedback@orkney.gov.uk)



Agenda Item: 6

## **Integration Joint Board – Audit Committee**

Date of Meeting: 17 September 2020.

Subject: External Annual Audit Report.

### **1. Summary**

1.1. This report is a summary of Audit Scotland's findings arising from the 2019/20 audit of the Orkney Integration Joint Board.

### **2. Purpose**

2.1. To consider the External Auditor's Annual Audit Report to those charged with governance of the Orkney Integration Joint Board Annual Accounts for 2019/20.

### **3. Recommendations**

The Audit Committee is invited to note:

3.1. That Audit Scotland, as the Integration Joint Board's external auditor, has concluded its audit of the Integration Joint Board's Financial Statements for the year ended 31 March 2020.

3.2. That Audit Scotland has provided an unqualified certificate on the Integration Joint Board's Financial Statements for the year ended 31 March 2020.

3.3. Audit Scotland's report to those charged with governance on the 2019 to 2020 audit of the Integration Joint Board's Financial Statements, attached as Annex 1 to this report, in accordance with the International Standard of Auditing 260.

3.4. The Integration Joint Board's Letter of Representation to Audit Scotland in connection with its audit of the financial statements of the Integration Joint Board for the year ended 31 March 2020, attached as Annex 2 to this report.

3.5. The Annual Audit Report to Members and the Controller of Audit in respect of the Integration Joint Board's Financial Statements, attached as Annex 3 to this report.

## 4. Background

4.1. The main elements of Audit Scotland's audit work in 2019/20 have been:

- 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.

4.2. These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. They also review and report on the arrangements within the Integration Joint Board to manage its performance and use of resources. In doing this, they aim to support improvement and accountability.

## 5. 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.	No.
<b>Sustainability:</b> To make sure economic and environmental factors are balanced.	Yes.

## 6. Resource implications and identified source of funding

6.1. The cost of external audit for 2019/2020 was £26,560 which was met from the resources of the Orkney Integration Joint Board.

## 7. Risk and Equality assessment

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.
Both NHS Orkney and Orkney Islands Council.	No.

## 9. 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.

## 10. Author

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

## 11. Contact details

11.1. Email: [pat.robinson@orkney.gov.uk](mailto:pat.robinson@orkney.gov.uk), telephone: 01856873535 extension 2601.

## 12. Supporting documents

12.1. Annex 1: Orkney Integration Joint Board 2019/20 Annual Audit Report Covering Letter.

12.2. Annex 2: The Integration Joint Board's Letter of Representation to Audit Scotland.

12.3. Annex 3: Annual Audit Report to Members and the Controller of Audit of the Integration Joint Board's Financial Statements.

## Orkney Integration Joint Board Audit Committee

**26 August 2020**

### Orkney Integration Joint Board Audit of 2019/20 annual accounts

#### Independent auditor's report

1. Our audit work on the 2019/20 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 26 August 2020 for Orkney Integration Joint Board. 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 Audit Committee's consideration our draft annual report on the 2019/20 audit. The section headed "Significant findings from the audit in accordance with ISA 260" 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.

#### Representations from Section 95 Officer

7. 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.
8. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Chief Finance Officer with the signed annual accounts prior to the independent auditor's report being certified.

## Outstanding matters

9. There are some areas where we still require additional information, and these are identified below:
  - revised annual report and accounts and checking that all changes have been incorporated
  - satisfactory conclusion of specific areas of audit work in one partner body.

# APPENDIX A: Proposed Independent Auditor's Report

## Independent auditor's report to the members of 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 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. 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

26 August 2020

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

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

Dear Gillian

### **Orkney Integration Joint Board Annual Accounts 2019/20**

1. This representation letter is provided in connection with your audit of the annual accounts of the Orkney Integration Joint Board for the year ended 31 March 2020 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 Orkney Integration Joint Board, the following representations given to you in connection with your audit of the Orkney Integration Joint Board's annual accounts for the year ended 31 March 2020.

### **General**

3. The Orkney Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 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 the 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 2019/20 (2019/20 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 2020 and the transactions for 2019/20.

## **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 2019/20 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 the Orkney Integration Joint Board's 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 the 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 the Orkney Integration Joint Board's ability to continue as a going concern.

## **Liabilities**

10. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
11. 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**

12. 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**

13. 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**

14. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 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**

15. 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**

16. 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**

17. I confirm that the Orkney Integration Joint Board has undertaken a review of the system of internal control during 2019/20 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.
18. 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 2020, which require to be reflected.

## **Balance Sheet**

19. All events subsequent to 31 March 2020 for which the 2019/20 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

17 September 2020

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

Dear Gillian,

**Orkney Integration Joint Board  
Annual Accounts 2019/20**

1. This representation letter is provided in connection with your audit of the annual accounts of the Orkney Integration Joint Board for the year ended 31 March 2020 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 Orkney Integration Joint Board, the following representations given to you in connection with your audit of the Orkney Integration Joint Board's annual accounts for the year ended 31 March 2020.

General

1. The Orkney Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 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 the 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 2019/20 (2019/20 accounting code), mandatory guidance from

Orkney Health and Care | Council Offices | School Place | Kirkwall | Orkney | KW15 1NY  
Tel: (01856) 873535 extension 2601 | Email: [pat.robinson@orkney.gov.uk](mailto:pat.robinson@orkney.gov.uk).

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 2020 and the transactions for 2019/20.

#### 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 2019/20 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 the Orkney Integration Joint Board's 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 the 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 the Orkney Integration Joint Board's ability to continue as a going concern.

#### Liabilities

1. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.

2. 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 2019/20 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

2. 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 2019/20 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 2020, which require to be reflected.

### Balance Sheet

1. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely



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

# Orkney Integration Joint Board

2019/20 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Orkney Integration Joint Board and the Controller of Audit

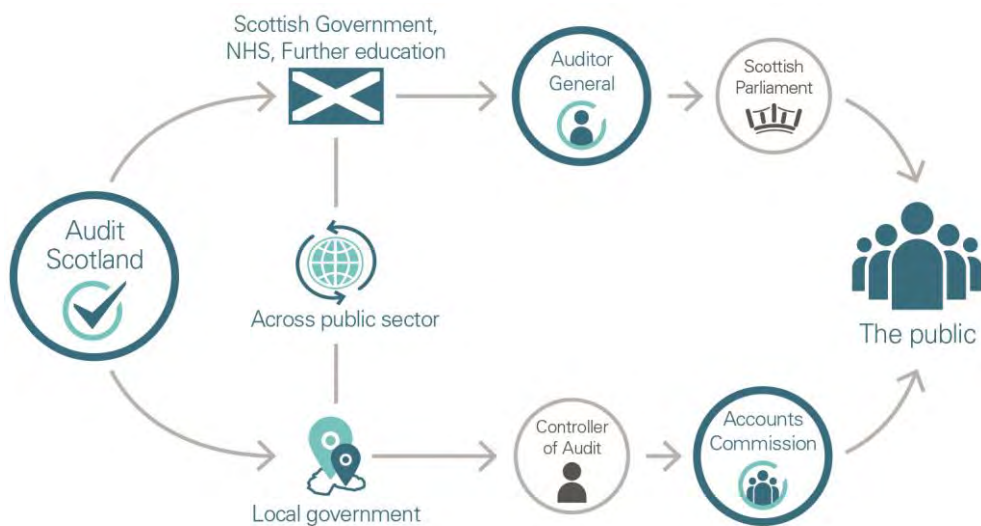
September 2020



## 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.

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# 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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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN  
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)