

Sally Shaw (Chief Officer)

Orkney Health and Care

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Agenda Item: 5.

Integration Joint Board – Audit Committee

Date of Meeting: 29 August 2019.

Subject: External Annual Audit Report.

1. Summary

1.1. This report is a summary of Audit Scotland's findings arising from the 2018/19 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 2018/19.

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 2019.

3.2. That Audit Scotland has provided an unqualified certificate on the Integration Joint Board's Financial Statements for the year ended 31 March 2019.

3.3. Audit Scotland's report to those charged with governance on the 2018 to 2019 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 2019, 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 2018/19 has been:

- An interim audit of the Integration Joint Board's main financial systems and governance arrangements.
- An audit of the Integration Joint Board's 2018/19 annual accounts.
- The issue of an independent auditor's report setting out their opinions.

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

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

6. Resource implications and identified source of funding

6.1. The cost of external audit for 2018/2019 was £25,000 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, telephone: 01856873535 extension 2601.

12. Supporting documents

12.1. Annex 1: Orkney Integration Joint Board 2018/19 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

29 August 2019

Orkney Integration Joint Board Audit of 2018/19 annual accounts

Independent auditor's report

1. Our audit work on the 2018/19 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 29 August 2019 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 2018/19 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.

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 2019 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of Orkney Integration Joint Board as at 31 March 2019 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 2018/19 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 3 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 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 have reported in a separate Annual Audit Report, which is 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 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 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 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. 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.

[Signature]

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

29 August 2019

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 2018/19

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 2019 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 2019.

General

3. Orkney Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 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.
5. It is my opinion that the work outstanding in relation to reviewing NHS Orkney's ledger will not highlight any material areas which have not yet been delegated to the Orkney Integration Joint Board.

Financial Reporting Framework

6. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 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.
7. 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 2019 and the transactions for 2018/19.

Accounting Policies & Estimates

8. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 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.
9. 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

10. 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.

Fraud

11. 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

12. 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

13. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 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

14. 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

15. 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

16. I confirm that the Orkney Integration Joint Board has undertaken a review of the system of internal control during 2018/19 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.
17. 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 2019, which require to be reflected.

Balance Sheet

18. All events subsequent to 31 March 2019 for which the 2018/19 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

PR/SJ/02

19 August 2019

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

Dear Gillian,

**Orkney Integration Joint Board
Annual Accounts 2018/19**

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 2019 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 2019.

General

3. Orkney Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 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.

5. It is my opinion that the work outstanding in relation to reviewing NHS Orkney's ledger will not highlight any material areas which have not yet been delegated to the Orkney Integration Joint Board.

Financial Reporting Framework

6. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (2018/19 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.

7. 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 2019 and the transactions for 2018/19.

Accounting Policies and Estimates

8. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 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.

9. 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

10. 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.

Fraud

11. 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

12. 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

13. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 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

14. 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

15. 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

16. I confirm that the Orkney Integration Joint Board has undertaken a review of the system of internal control during 2018/19 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.

17. 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 2019, which require to be reflected.

Balance Sheet

18. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely



Pat Robinson
Chief Finance Officer

Orkney Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

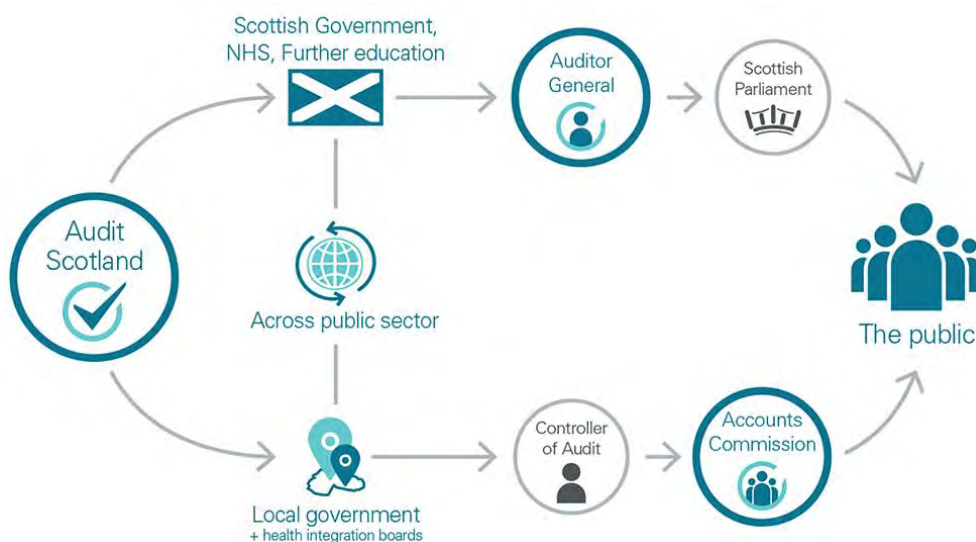
Prepared for Orkney Integration Joint Board and the Controller of Audit

August 2019

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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Key messages

2018/19 annual report and accounts

- 1 Our audit opinions are all unqualified. These cover the financial statements, the remuneration report, the management commentary and the annual governance statement.

Financial management and sustainability

- 2 The Orkney IJB reported a year end surplus of £0.12 million. The surplus was in relation to funding received by NHS Orkney for specific services which was not fully utilised and is held within earmarked reserves.
- 3 The Orkney IJB budget for 2019/20 has not been formally approved due to uncertainty around funding allocations from NHS Orkney and Orkney Islands Council. Consequently, the Orkney IJB cannot conclude its financial priorities for 2019/20.
- 4 Financial sustainability is a significant risk for the Orkney IJB. A medium-term financial plan for the period 2019 to 2022 has been approved and, based on the status quo, funding gaps amounting to £1.6 million per year have been identified. Areas where efficiencies can be made have been highlighted but a detailed programme of efficiency savings needs to be prepared to ensure delivery of a balanced budget in 2019/20 and beyond.
- 5 The Orkney 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.

Governance, transparency and value for money

- 6 The Orkney IJB has adequate governance arrangements in place that support the scrutiny of decisions by the members.
- 7 The Orkney IJB demonstrates a commitment to transparency in the way it conducts its business with its meetings being open to the public and meeting papers and minutes available on its website.
- 8 During the year, the Orkney IJB experienced significant changes both on the Integration Joint Board and within Orkney Health and Care senior management team. The changes in the senior management team have led to capacity issues.
- 9 The annual performance report was approved by the Orkney IJB in June 2019 and highlights positive performance in comparison to its peer group for 8 out of 9 outcomes. However, key areas for improvement have been identified in relation to emergency admissions and the health and wellbeing of carers.

Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of the Orkney Integration Joint Board (Orkney IJB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the Orkney IJB audit and risk committee meeting on 13 March 2019. This report comprises the findings from:

- an audit of the Orkney IJB's 2018/19 annual accounts including issuing an independent auditor's report setting out our opinion
- 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](#).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

Adding value through the audit

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

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements
- reporting our findings and conclusions in public
- 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.

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

Responsibilities and reporting

5. The Orkney 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 Orkney IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

6. 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.

7. 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.

8. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. 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.

10. 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 the steps being taken to implement them.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £25,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. 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 in due course.

13. 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.

Part 1

Audit of 2018/19 annual accounts



Main judgements

Our audit opinions are all unqualified. These cover the financial statements, the remuneration report, the management commentary and the annual governance statement.

The annual accounts are the principal means of accounting for the stewardship of the board's resources and its performance in the use of those resources.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the Orkney Integration Joint Board audit committee (audit committee) on 29 August 2019. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared
- 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.

15. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 28 June 2019 in line with our agreed audit timetable. Financial information was provided to the Orkney Integration Joint Board (the Orkney IJB) in a timely manner from the partner bodies to allow it to produce its accounts before the statutory deadline.

17. 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.

Financial reporting

18. Our 2017/18 annual audit report recommended that a quality assurance process should be implemented to help support the Chief Finance Officer in preparing the annual report and accounts. The draft 2018/19 annual report and accounts were reviewed by Orkney Health and Care management team and partner section 95 officers prior to submission for audit.

19. However, following our audit, the management commentary and annual governance statement required to be revised to ensure the accounts presented a clear, concise, and balanced summary of the Orkney IJB's performance in 2018/19.

Risks of material misstatement

20. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

21. We reported four risks of material misstatement in our 2018/19 Annual Audit Plan and six risks in relation to our work on wider dimensions. We have gained sufficient assurance to address the four risks of material misstatement. Three of the wider dimension risks in relation to financial sustainability, the Integration scheme and GDPR remain ongoing issues for the Orkney IJB and are therefore included in our action plan in [Appendix 1](#).

Materiality

22. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

23. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. 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 required to be slightly revised. The revised materiality figures are shown in [Exhibit 2](#).

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£0.58 million
Performance materiality	£0.29 million
Reporting threshold	£6 thousand

Source: 2018/19 Orkney IJB Annual Report and Accounts

Significant findings from the audit in accordance with ISA 260

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. There are no unadjusted misstatements to draw to your attention.

Qualitative aspects of the audit

25. We identified one significant finding in relation to the qualitative aspects of the accounting practices and these are highlighted in [Exhibit 3](#).

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Central support costs social work</p> <p>The Comprehensive Income and Expenditure Statement in the unaudited accounts includes a sum of £3.01 million (2017/18: £2.14 million, prior year adjustment) relating to accrued pension costs for staff employed within social work services.</p> <p>The Orkney IJB has no responsibility for paying pension costs of council employees, therefore these figures are incorrectly included within the draft accounts.</p>	<p>Adjustments have been made to remove the accrued pension costs in 2018/19 and the prior year.</p> <p>The result is that both expenditure and funding figures have been reduced for support service costs and overheads with no effect on the overall financial position of the Orkney IJB.</p>

Part 2

Financial management and sustainability



Main judgements

The Chief Finance Officer has appropriate status within the Orkney IJB. Regular updates are provided by the Chief Finance Officer to board and audit committee members and members provide a good level of challenge and scrutiny on the material presented.



The Orkney IJB budget for 2019/20 has not been formally approved due to uncertainty around funding allocations from NHS Orkney and Orkney Islands Council. Consequently, the Orkney IJB cannot conclude its financial priorities for 2019/20.

Financial sustainability is a significant risk for the Orkney IJB. A medium-term financial plan for the period 2019 to 2022 has been approved, and based on the status quo, funding gaps amounting to £1.6 million per year have been identified. Areas where efficiencies can be made have been highlighted but a detailed programme of efficiency savings needs to be prepared to ensure delivery of a balanced budget in 2019/20 and beyond.

The Orkney 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.

Financial management arrangements support effective scrutiny

26. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Financial Officer has enough status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

27. The Chief Finance Officer reports directly to the Chief Officer and regularly reports to the Orkney IJB and the audit committee. Members provide a good level of challenge and scrutiny on the material presented

28. During 2018/19, the Chief Finance Officer was employed on a 0.5 whole time equivalent interim basis. Since April 2019 the post of Chief Finance Officer has been formally approved as a permanent full-time role.

Systems of internal control

29. The Orkney IJB relies on NHS Orkney (NHSO) and Orkney Islands Council (OIC) for its key financial systems, including ledger and payroll. All transactions are processed through the respective partners' systems and all the controls over systems are accounted for within these bodies.

30. As part of our audit approach and in accordance with ISA 402, we sought assurances from the external auditors of NHSO and OIC who both confirmed there were no weaknesses in their respective systems of internal control.

Financial performance in 2018/19

31. The Orkney 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 accounts. Satisfactory arrangements are in place to identify this income and expenditure and report this to the Orkney IJB.

32. The Orkney IJB reported a year end surplus of £0.12 million. The surplus was in relation to funding received by NHS Orkney for specific services (primary care and alcohol and drugs partnership) which was not fully utilised and is held within earmarked reserves.

33. During the year the original budget for 2018/19 was supplemented by additional funding from the partners of the IJB, with NHSO providing an additional £1.17 million for delegated services, as well as £7.87 million for set-aside services. OIC provided additional funding of £0.91 million during the year and a further £0.30 million at the end of the year to ensure a break-even position.

34. A summary of budget and outturn for the year is shown in [Exhibit 4](#).

Exhibit 4 Performance against budget

IJB budget summary	Original Budget £m	Revised Budget £m	Actual Outturn £m
Funding from NHS Orkney	23.21	32.25	32.13
Funding from Orkney Islands Council	18.18	19.09	19.39
Additional allocation from Orkney Islands Council at year end for delegated services		0.30	
Total funding	41.39	51.64	51.52

Source: Orkney IJB 2018/19 budget monitoring reports and Annual Report and Accounts

35. Arrangements for the sum set aside for hospital acute services under the control of the Orkney IJB are not yet operating as required by legislation and statutory guidance. Guidance issued by the Scottish Government during the year confirmed that transitional arrangements agreed in 2016/17 could continue to be applied in 2018/19. The Scottish Government expects that IJBs should make progress during 2019/20 in using the set aside budget as a mechanism for shifting the balance of care.



Recommendation 1 (Appendix 1, action point 1)

The Orkney IJB and NHSO should work to establish revised processes for planning and performance management of delegated hospital functions and associated resources.

Financial Planning

36. The Orkney IJB allocates the resources it receives from its partners in line with the Strategic Commissioning Plan. The 2019/20 indicative funding allocations were presented to the Orkney IJB in March 2019.

37. Differing budget setting timescales for the Orkney IJB, NHSO and OIC have meant that the financial planning processes and joint working with health and social care partners have proved a challenge. The budget for 2018/19 was accepted with partners but not formally approved. The 2019/20 budget has not been formally approved due to uncertainty around funding allocations from NHSO and OIC. Consequently, the Orkney IJB cannot conclude its financial priorities for 2019/20.

38. Partnership working is improving but the Chief Finance Officer and Partners ought to be in a position to agree financial plans which are realistic and sustainable prior to the start of each financial year. Successful partnership working is crucial for health and social care integration to work effectively.



Recommendation 2 (Appendix 1, action point 2)

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

Efficiency Savings

39. NHSO and OIC have faced several years of financial constraint and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs place pressure on health and social care budgets.

40. The maintenance of a sound financial position going forward is dependent on achieving efficiency savings to bridge the gap between available funding from current sources and the cost of services.

41. Financial sustainability is a significant risk for the Orkney IJB. A medium-term financial plan for the period 2019 to 2022 has been approved and, based on the status quo, funding gaps amounting to £1.6 million per year have been identified. Areas where efficiencies can be made have been highlighted but a detailed programme of efficiency savings needs to be prepared to ensure delivery of a balanced budget in 2019/20 and beyond.



Recommendation 3 (Appendix 1, action point 3)

A detailed programme of efficiency savings needs to be prepared to ensure the Orkney IJB can deliver a balanced budget in 2019/20 and beyond.

Integration scheme

42. In 2017/18 we recommended that the Orkney 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.

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



Recommendation 4 (Appendix 1, action point 4)

The Orkney 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.

Internal audit

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

45. This function was provided by Orkney Islands Council for 2018/19. We carried out a review of the adequacy of Orkney Islands Council's internal audit section and concluded that it operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

46. To avoid duplication of effort, we place reliance on the work of internal audit wherever possible. In 2018/19, we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, we considered internal audit's work on financial planning and compliance with IJB legislation as part of our wider dimension work.

EU withdrawal

47. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.

- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

48. NHSO and OIC have been preparing for the impact of EU withdrawal on services. The IJB will wish to be well informed in how the council and the health board are working to monitor and respond to the impact of EU withdrawal.

Part 3

Governance, transparency and value for money



Main judgements

The Orkney IJB has adequate governance arrangements in place that support the scrutiny of decisions by the members.



The Orkney IJB demonstrates a commitment to transparency in the way it conducts its business with its meetings being audio cast and open to the public. Meeting papers and minutes available on the website.

During the year, the Orkney IJB experienced significant changes both on the Integration Joint Board and within Orkney Health and Care senior management team. The changes in the senior management team have led to capacity issues.

The annual performance report was approved by the Orkney IJB in June 2019 and highlights positive performance in comparison to its peer group for 8 out of 9 outcomes. However, key areas for improvement have been identified in relation to emergency admissions and the health and wellbeing of carers.

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

Governance arrangements

49. The Orkney IJB has representation from a range of service users and partners including three members from NHS Orkney and three elected voting members nominated by Islands Council. The Orkney IJB met on a quarterly basis during 2018/19.

50. The Orkney IJB is responsible for the management and delivery of health and social care services in the Orkney area. It is supported by an audit committee which met three times in 2018/19. From our attendance at the Orkney IJB and audit committee meetings and our review of minutes we have concluded that the Orkney IJB members and management understand the distinct nature of their roles and members contribute to the discussion and demonstrate effective scrutiny.

51. During the year, the Orkney IJB experienced significant changes both on the Integration Joint Board and within Orkney Health and Care senior management team. The former Chief Officer left in April 2018 and a new Chief Officer took up post in September 2018. Other key officers have also either been absent, moved to different posts or retired during the year, with recruitment to these posts, in the main, proving difficult. This has led to the partnership having significantly reduced capacity to undertake key pieces of work and progress them. The new Chief Officer has undertaken work to review and refresh ways of working and priorities moving forward.

52. Given the changes in key personnel and the capacity challenges this has presented, the refresh of the Strategic Plan has been delayed. However, the revised Strategic Plan is currently ten weeks into a twelve week consultation period. Stakeholder's views and resulting actions are expected to be reported to the Orkney IJB in September of this year as an appendix to the final Strategic Plan. A

strategic commissioning implementation plan will sit alongside the Strategic Plan and this will include a financial plan linked to the Orkney IJB's priorities.

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

53. Transparency means that the general public has access to understandable, relevant and timely information about how the Orkney IJB is taking decisions and how it is using resources.

54. All Orkney IJB and audit committee meetings are audio cast and open to the public. Notice of these meetings are available through the Orkney Islands Council website. There are a small number of papers scheduled for private consideration in specific circumstances. The website also contains a section for the Orkney IJB papers and audit committee papers. This is considered good practice.

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

General Data Protection Regulation

56. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. GDPR has introduced new and significantly changed data protection concepts and all EU member states must implement the Regulation in the same way.

57. The Orkney IJB initially relied on the GDPR compliance of the partner bodies which deliver their services. The Orkney IJB formally appointed the Head of Legal Services, Orkney Islands Council as its data protection officer on the 27 June 2018 to help co-ordinate arrangements for processing personal data and to ensure that its processes comply with the requirements of the new legislation. The Orkney IJB should consider the impact of GDPR on its operations to ensure that its arrangements for processing personal data comply with the requirements of the new legislation. This recommendation was reported in our 2017/18 annual audit report and remains outstanding.



Recommendation 5 (refer appendix 1, action plan 5)

The Orkney 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.

Best Value

58. The Orkney 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.

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

60. Having a new Chief Officer in addition to capacity issues during 2018/19 has meant that new initiatives were not identified until late in the financial year. However, the Orkney IJB has now begun to develop two new proposals in relation to the use of technology in health and social care and adopting a differing approach to community led support. These initiatives are aimed at addressing some of the

challenges within the sector and improving efficiencies. We will monitor progress in implementing these initiatives and report further in our annual audit report in 2019/20.

61. It is a struggle to recruit to specific posts due to a national shortage of qualified staff. This will need to be investigated moving forward within the workforce plan of both organisations and the third sector organisations.

Performance management

62. Financial performance is reported regularly to the Orkney IJB. The management commentary that accompanies the annual accounts also explains the Orkney 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.

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

64. The Orkney IJB's performance framework aims to identify how performance in various areas links to the Scottish Government's National Health and Wellbeing Outcomes. These are:

- Outcome 1. People are able to look after and improve their own health and wellbeing and live in good health for longer.
- Outcome 2. People, including those with disabilities or long term conditions, or who are frail, are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community.
- Outcome 3. People who use health and social care services have positive experiences of those services, and have their dignity respected.
- Outcome 4. Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.
- Outcome 5. Health and social care services contribute to reducing health inequalities.
- Outcome 6. People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and well-being.
- Outcome 7. People using health and social care services are safe from harm.
- Outcome 8. People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.
- Outcome 9. Resources are used effectively and efficiently in the provision of health and social care services.

65. The Orkney IJB members are provided with quarterly monitoring reports outlining performance against a number of key measures. These are available on Orkney Islands Council website.

66. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. The annual

performance report was presented to the Orkney IJB on 25 June 2019, in line with the requirements of the act.

67. It has been challenging for audit to assess the Orkney IJB's performance against all outcomes as not all data is up to date due to it being unavailable at a national level. However, the Orkney IJB has reported positive performance in comparison to its peer group for 8 out of 9 outcomes. Key areas for improvement have been identified in relation to emergency admissions and health and wellbeing of carers and the Chief Officer has reported her commitment to improving performance across all outcomes during her appointment.

68. Overall, we consider the quarterly reporting by the Orkney IJB is of a good standard.

National performance audit reports

69. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of direct interest to the board as outlined in [Appendix 3](#).

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Unscheduled care budget</p> <p>Arrangements for the sum set aside for hospital acute services under the control of the Orkney IJB are not yet operating as required by legislation and statutory guidance. Guidance issued by the Scottish Government during the year confirmed that transitional arrangements agreed in 2016/17 could continue to be applied in 2018/19.</p> <p>The Scottish Government expects that IJBs should make progress during 2019/20 in using the set aside budget as a mechanism for shifting the balance of care.</p> <p>Risk – the sum set aside in the annual accounts is not being managed by the IJB as expected by the legislation.</p>	<p>The IJB and health board should prioritise establishing revised processes for planning and performance management of set aside hospital functions and associated resources in 2019/20.</p> <p>Paragraph 35</p>	<p>The budgets and spend will be addressed as a priority to ensure that NHS formally delegate this to the IJB within this financial year.</p> <p>Chief Officer & Chief Finance Officer</p> <p>31/12/19</p>
2	<p>2019/20 Budget</p> <p>Differing budget timescales for the Orkney IJB, OIC and NHSO have meant that the financial planning processes and joint working with health and social care partners have proved a challenge. The 2019/20 budget has not been formally approved due to uncertainty around funding allocations from OIC and NHSO. Consequently, the Orkney IJB cannot provide clarity over its priorities for 2019/20.</p> <p>Risk - There is a risk that the Orkney IJB is not able to</p>	<p>Partners ought to be in a position to agree financial plans which are realistic and sustainable prior to the start of each financial year.</p> <p>Paragraph 38</p>	<p>Meetings will be held with both partners to address the ongoing issues on the timings of budgets being allocated to the IJB for approval prior to 31st March of each year.</p> <p>Responsible officer Chief Officer & Chief Finance Officer</p> <p>Agreed date 31/12/19</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>deliver its statutory duties and strategic priorities if realistic financial plans have not been agreed prior to the start of each financial year.</p>		
3	<p>Financial sustainability</p> <p>The Orkney IJB approved a medium-term financial plan in June 2019. The plan for the period 2019 to 2022 illustrates the current and predicted future demand of services and financial challenges the board is facing. Based on the status quo, funding gaps amounting to £1.6 million per year have been identified.</p> <p>Risk – the Orkney IJB may not be able to deliver a break-even outturn in 2019/20 and beyond.</p>	<p>The Orkney IJB needs to prepare a detailed programme of efficiency savings to ensure it can deliver a balanced budget in 2019/20 and beyond.</p> <p>Paragraph 41</p>	<p>The IJB will need to make decisions on what the priorities and commissioning arrangements will be which will be illustrated within the Strategic Commissioning Plan. This will then enable the efficiency savings to be identified.</p> <p>Responsible officer Chief Officer & Chief Finance Officer</p> <p>Agreed date 31/03/20</p>
4	<p>Integration Scheme Review</p> <p>(Brought forward from 2017/18)</p> <p>The Orkney IJB 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 financial sustainability of the Orkney IJB.</p>	<p>The Orkney 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>Paragraph 42</p>	<p>The overall integration scheme will be reviewed and updated by all partners.</p> <p>Responsible officer Chief Officer & Chief Finance Officer</p> <p>Agreed date 31/03/20</p>
5	<p>GDPR Review</p> <p>Brought forward from 2017/18</p> <p>The Orkney IJB has not carried out an internal review to assess the impact of GDPR coming into force.</p> <p>Risk There is a risk that the Orkney IJB could be in</p>	<p>The Orkney 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>Paragraph 57</p>	<p>A noting report will be submitted to the IJB highlighting the key steps taken to achieve compliance.</p> <p>Responsible officer Gavin Mitchell</p>



No. **Issue/risk**

Recommendation

**Agreed management
action/timing**

breach of its statutory
responsibilities under GDPR.

Agreed
date

31/10/19

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 report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</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>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Overall, there was no evidence to suggest that management were overriding controls.</p>
<p>2 Financial reporting</p> <p>Orkney Integration Joint Board requires to implement a quality assurance process to help support the Chief Finance Officer in preparing the annual report and accounts to ensure the content is clear, concise and adheres to guidance prior to submission for audit.</p> <p>This is an essential process due to the audit timescale being shorter than in previous years.</p>	<p>The Senior Management Team will scrutinise and amend the annual report and accounts, as appropriate, prior to the draft being submitted within specified timescales.</p>	<p>The draft 2018/19 annual report and accounts were reviewed by Orkney Health and Care management team and partner section 95 officers prior to submission for audit.</p> <p>However, following our audit, the management commentary and annual governance statement required to be revised to ensure the accounts presented a clear, concise, and balanced summary of the Orkney IJB's performance in 2018/19.</p>
<p>3 Projected financial outturn</p> <p>There is a risk that overspends may require additional payments from the council and health board and that there may be difficulties in producing a balanced outturn in future years.</p>	<p>As at 31 January 2019 the projected overspend is £0.743m (£0.243m NHS, £0.500m OIC). A letter has been sent to the Directors of Finance on 20th Feb19 to verify year end spend with the aim to have a balanced budget.</p>	<p>Reviewed budget monitoring reports on an ongoing basis.</p> <p>The Orkney IJB reported a year end surplus of £0.12 million.</p> <p>During the year the original budget for 2018/19 was supplemented by additional funding from the partners of the IJB, with NHSO providing an additional £1.17 million for delegated services, as well as £7.87 million for set-aside services. OIC provided additional</p>

Audit risk	Assurance procedure	Results and conclusions
		funding of £0.91 million during the year and a further £0.30 million at the end of the year to ensure a break-even position.
<p>4 Clarity on services for which the Orkney Integration Joint Board is responsible</p> <p>Additional services have been transferred from NHS Orkney to the Orkney Integration Joint Board in 2018/19, along with the funding. However, it is unclear whether this is the transfer of all the services (and funding) for which the Orkney Integration Joint Board is responsible.</p> <p>There is a risk that not all commissioned services have been transferred over to Orkney Integration Joint Board.</p>	<p>Chief Finance Officer plans to discuss further with NHS Orkney on whether further services (and funding) should be transferred to the Orkney Integration Joint Board.</p>	<p>Services totalling £0.30 million have been transferred in 2018/19.</p>

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

<p>5 Change of Chief Internal Auditor</p> <p>The Chief Internal Auditor left her post with effect from 16 November 2018.</p> <p>Until a replacement is in post, there is a risk that full compliance with the Public Sector Internal Audit Standards cannot be demonstrated nor the operational audit plan completed.</p>	<p>The experienced internal audit team are in place to undertake the Orkney Integration Joint Board audit reviews and the new Chief Internal Auditor will commence the post on the 25 February to ensure work is finalised prior to year-end.</p>	<p>The new Chief Internal Auditor commenced the post in February 2019. We carried out a review of the adequacy of Orkney Islands Council's internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.</p>
<p>6 Financial sustainability</p> <p>The 2018/19 budget for Orkney Integration Joint Board requires the delivery of £1.448 million of savings during the year to breakeven. The budget has not been approved by Orkney Integration Joint Board as plans to achieve £1.138 million of the savings are still unidentified.</p> <p>There is a risk that Orkney Integration Board is not able to develop appropriate budgets each year if full saving plans are not in place.</p>	<p>The overspend has been highlighted at the Orkney Integration Joint Board meetings, OHAC Committee and Finance & Performance.</p> <p>Within the recovery plan it highlights that out of the original £1.448m savings target there has been £728k identified leaving a shortfall of £720k.</p> <p>A budget setting timeline report for 2019/20 was also agreed at the November 2018 Orkney Integration Joint Board meeting.</p>	<p>A balanced budget was achieved in 2018/19.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>7 Longer-term financial planning</p> <p>Orkney Integration Joint Board does not currently have a medium to longer term financial plan in place.</p> <p>There is a risk that the Orkney IJB may not be able to identify sustainable saving measures or cost pressures as they arise.</p>	<p>A 3-year medium term financial plan is being developed and Chief Finance Officer plans to present to the Orkney Integration Joint Board in June 2019.</p>	<p>The Orkney IJB medium term financial plan 2019/22 was approved at the Orkney IJB committee meeting on 25 June 2019.</p>
<p>8 GDPR review</p> <p>Orkney Integration Joint Board has not reported to members the impact of GDPR on the Board and partner organisations.</p> <p>There is a risk that Orkney Integration Joint Board could be in breach of its statutory responsibilities under GDPR.</p>	<p>A paper will be submitted to the Orkney Integration Joint Board giving assurance from both partners on GDPR compliance by June 2019.</p>	<p>This recommendation and action remain outstanding.</p>
<p>9 Integration scheme review</p> <p>Orkney Integration Joint Board 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>There is a risk that this will compound any funding gap. At present it is challenging to achieve in-year balanced budgets without further reductions due to previous year overspends.</p>	<p>At present, there is no indication of section 2.10.7.5 being removed following informal discussions with partner bodies. However, this will be re-considered as part of the next review of the integration scheme being undertaken during 2019/20.</p>	<p>This recommendation and action remains outstanding.</p>
<p>10 Risk register</p> <p>The risk management strategy indicates that the risk register should be reviewed at least on a six-monthly basis.</p> <p>The current risk register was last updated and presented to the Board in June 2018.</p> <p>There is a risk that Board members are not up to date with significant risks, the associated mitigating actions, and, ultimately, the basis for key decisions. It may also mean that the risk register is out of date.</p>	<p>Management plan to review the risk register and report to the Orkney Integration Joint Board meeting in early 2019.</p>	<p>A refreshed Risk Management strategy was approved in October 2018. The risk register is currently under review and we are satisfied that the Orkney IJB members are fully apprised of the key risks.</p>

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Reports relevant to Integration Joint Boards

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

Orkney Integration Joint Board

2018/19 Annual Audit Report

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