

# Orkney Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

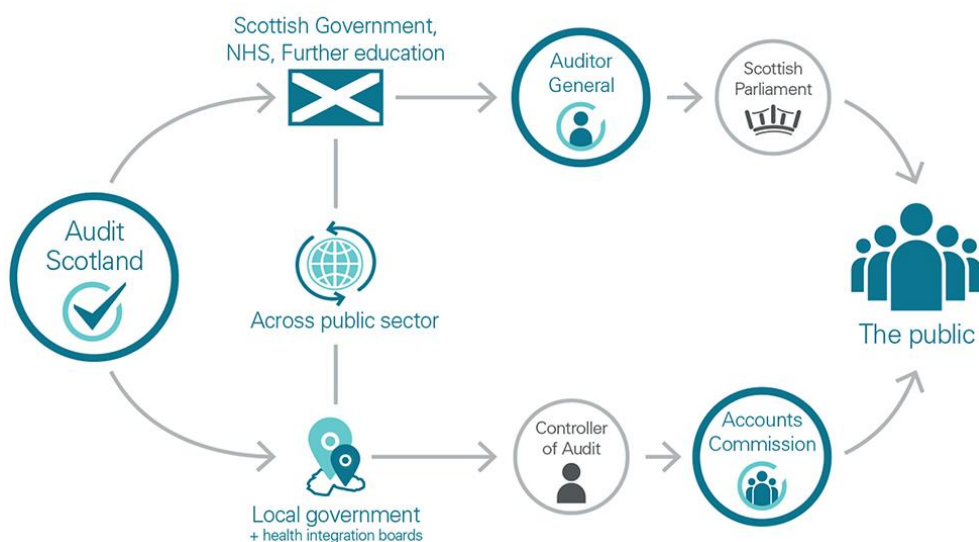
Prepared for Orkney Integration Joint Board and the Controller of Audit

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

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## 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.

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# Introduction

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**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](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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## 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](http://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](#).

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## 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

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## 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.

**25.** We identified one significant finding from the audit of the financial statements and this is highlighted in [Exhibit 3](#).



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## Exhibit 3

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

Issue	Resolution
<p><b>1. Central support costs social work</b></p> <p>The Comprehensive Income and Expenditure Statement in the unaudited accounts includes a sum of £3.01 million 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.</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>

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# 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.**

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## **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.**

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## **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.**

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## 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><b>Unscheduled care budget</b></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><b>Risk</b> – 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><a href="#">Paragraph 35</a></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 &amp; Chief Finance Officer</p> <p>31/12/19</p>
2	<p><b>2019/20 Budget</b></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><b>Risk</b> - 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><a href="#">Paragraph 38</a></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 31<sup>st</sup> March of each year.</p> <p>Responsible officer Chief Officer &amp; 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><b>Financial sustainability</b></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><b>Risk</b> – 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><a href="#">Paragraph 41</a></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 &amp; Chief Finance Officer</p> <p>Agreed date 31/03/20</p>
4	<p><b>Integration Scheme Review</b></p> <p><b>(Brought forward from 2017/18)</b></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><b>Risk</b> – 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><a href="#">Paragraph 42</a></p>	<p>The overall integration scheme will be reviewed and updated by all partners.</p> <p>Responsible officer Chief Officer &amp; Chief Finance Officer</p> <p>Agreed date 31/03/20</p>
5	<p><b>GDPR Review</b></p> <p><b>Brought forward from 2017/18</b></p> <p>The Orkney 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 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><a href="#">Paragraph 57</a></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**

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breach of its statutory  
responsibilities under GDPR.

Agreed  
date

31/10/19

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

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<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>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><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 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><b>3 Projected financial outturn</b></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><b>4 Clarity on services for which the Orkney Integration Joint Board is responsible</b></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><b>5 Change of Chief Internal Auditor</b></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><b>6 Financial sustainability</b></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 &amp; 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><b>7 Longer-term financial planning</b></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><b>8 GDPR review</b></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><b>9 Integration scheme review</b></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><b>10 Risk register</b></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

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