

# Orkney Integration Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Orkney Integration Joint Board and the Accounts Commission

26 September 2017

## 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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## 2016/17 annual accounts

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

## Financial management

- 2 The Integration Joint Board broke even and spent £34.676 million on delivering health and social care services. However both Orkney Islands Council and NHS Orkney were required to provide additional resources to achieve a break-even position.
- 3 An overspend of £0.180 million was incurred at the year end by NHS Orkney and a decision was made to carry the overspend forward to 2017/18 which means that the Integration Joint Board will receive £0.180 million less funding than budgeted for from NHS Orkney in 2017/18.

## Financial sustainability

- 4 The Integration Joint Board is working with partners to identify and agree the savings required in 2017/18 in order to break-even.
- 5 The Integration Joint Board needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges. Robust plans need to be in place as it seems unlikely that further non-recurrent funds will be made available by partners to fund any further pressures.

## Governance and transparency

- 6 The Integration Joint Board has appropriate governance arrangements in place that support the scrutiny of decisions by the Integration Joint Board.
- 7 There is evidence from a number of sources which demonstrates the Integration Joint Board's commitment to transparency.

## Value for money

- 8 The annual performance report was submitted to the Integration Joint Board meeting in June 2017. The report covered the requirements of the 2014 Act with the exception of Best Value. However, the Integration Joint Board demonstrates its commitment to delivering best value through a number of initiatives and agreed plans.

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# Introduction

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**1.** This report is a summary of our findings arising from the 2016/17 audit of Orkney Integration Joint Board, hereby referred to as the 'Integration Joint Board'. The report is divided into sections which reflect our public sector audit model.

**2.** The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit Committee. It comprises an audit of the Annual Accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

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**3.** The main elements of our audit work in 2016/17 have been:

- an interim audit of the Integration Joint Board's main financial systems and governance arrangements
- an audit of the Integration Joint Board's 2016/17 annual accounts
- the issue of an independent auditor's report setting out our opinions.

**4.** The Integration Joint Board is responsible for preparing the annual accounts that show a true and fair view and, for establishing effective arrangements for governance, which enable them to successfully deliver their objectives.

**5.** Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

- 6.** These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the Integration Joint Board to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 8.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 9.** Communication in this report of matters arising from the audit of the annual accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both Integration Joint Board and the Accounts Commission and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
- 12.** We would like to thank management and staff who have been involved in our work for their co-operational and assistance during the audit.

# Part 1

## Audit of 2016/17 annual accounts



### Main judgements

**Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.**

#### Unqualified audit opinions

**13.** The annual accounts for the year ended 31 March 2017 were reviewed by the Integration Joint Board on 5 September 2017 and approved by the Integration Joint Board Audit Committee on 27 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- unqualified opinions on the remuneration, management commentary and the annual governance statement.

**14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

#### Submission of annual accounts for audit

**15.** We received the unaudited financial statements on 30 June 2017, in line with our agreed audit timetable. Financial information was provided to the Integration Joint Board in a timely manner from the partner bodies in order to allow it to produce its accounts by the statutory deadline.

**16.** The working papers provided with the unaudited financial statements were of a good standard and the Chief Finance Officer provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

#### Risks of material misstatement

**17.** [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and conclusions.

#### Materiality

**18.** Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

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

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**19.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.

**20.** On receipt of the annual accounts, we reviewed our materiality calculations and concluded that they remained appropriate.

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## Exhibit 2

### Materiality values

Materiality level	Amount
<b>Planning materiality</b> - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure based on the latest budget for 2017.	£0.344 million
<b>Performance materiality</b> - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of planning materiality.	£0.172 million
<b>Reporting threshold</b> - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£ 0.003 million

### Evaluation of misstatements

**21.** There were no material adjustments to the unaudited financial statements arising from our audit.

### Significant findings

**22.** International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. There are no significant findings arising from the audit of the Integration Joint Board.

### Other Findings

**23.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

# Part 2

## Financial management



### Main conclusions

**The Integration Joint Board broke even and spent £34.676 million on delivering health and social care services. However both Orkney Islands Council and NHS Orkney were required to provide additional resources to achieve a break-even position.**

**An overspend of £0.180 million was incurred at the year end by NHS Orkney and a decision was made to carry the overspend forward to 2017/18 which means that the Integration Joint Board will receive £0.180 million less funding than budgeted for from NHS Orkney in 2017/18.**

### Financial management

**24.** Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Integration Joint Board's responsibility to ensure that its financial affairs are conducted in a proper manner.

**25.** As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:

- the Chief Financial Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the Integration Joint Board
- 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
- Integration Joint Board members provide a good level of challenge and question budget holders on significant variances.

**26.** We reviewed the financial regulations and standing orders, which were created on the formation of the Integration Joint Board, and we consider these to be appropriate. All completed governance documents are accessible through the Orkney Islands Council website.

**27.** From attendance at the Integration Joint Board / Audit and Risk Committee meetings, and a review of the associated papers we have concluded that the Chief Finance Officer (CFO) has appropriate status within the Integration Joint Board. Updates are provided by the CFO to the Integration Joint Board / Audit and Risk

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

Committee and members provide a good level of challenge and scrutiny on the material presented.

### Financial performance in 2016/17

28. The Integration Joint Board does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and the Chief Finance Officer. All funding and expenditure for the Integration Joint Board is incurred by partners' bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the Integration Joint Board.

29. [Exhibit 3](#) provides a summary of the financial outturn for the period ended 31 March 2017.

### Exhibit 3

#### Budget Summary for 2016/17

	Original Budget	Additional Budget	Total Budget	Total Spend	Over / Underspend	
	£000	£000	£000	£000	%	
Social Care	16,834	1,002	17,836	17,836	0	100.0
NHS	16,589	251	16,840	17,020	180	101.1
<b>Total</b>	<b>33,423</b>	<b>1,253</b>	<b>34,676</b>	<b>34,856</b>	<b>180</b>	<b>100.5</b>

Source: Orkney Integration Joint Board Annual Accounts 2016/17

30. Overall the Integration Joint Board broke even for the year. However both Orkney Islands Council and NHS Orkney were required to provide additional resources to achieve a break-even position.

31. NHS Orkney incurred an overspend against the resources allocated by the Integration Joint Board for the provision of services. A decision was made by the Finance and Performance Committee of NHS Orkney to carry the overspend forward to 2017/18 which means that the Integration Joint Board will receive £0.180 million less funding than budgeted for from NHS Orkney in 2017/18.

32. While this decision is in accordance with the agreed Integration scheme it is not based on sound principles.

### Recommendation 1 ([Appendix 1, Action plan point 1](#))

**The Integration Joint Board will need to work with partners to identify and agree the savings required in 2017/18 in order to break-even.**

### Internal controls

33. The Integration Joint Board relies on NHS Orkney and Orkney Islands Council for its key financial systems such as the ledger and payroll. All transactions are processed through the respective partners' systems and all the controls over these systems are accounted for within these two bodies rather than the Integration Joint Board.

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

### **Standards of conduct and arrangements for the prevention and detection of bribery and corruption**

**35.** The Integration Joint Board has a range of activities in place designed to maintain standards of conduct including a Code of Conduct for members. In addition, a register of members' interests is in place for Board Members and senior officers.

**36.** The Integration Joint Board does not have its own fraud or whistleblowing policies. It relies on the policies in place at the partner bodies.

**37.** Based on our review we concluded that the Integration Joint Board has effective arrangements in place for the prevention and detection of bribery and corruption and we are not aware of any specific issues that we need to record in this report.

# Part 3

## Financial sustainability



### Main judgements

The Integration Joint Board needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges. Robust plans need to be in place as it seems unlikely that further non-recurrent funds will be made available by partners to fund any further pressures.

### Financial planning

38. The Integration Joint Board allocates the resources it receives from the Health Board and Council in line with the Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget provided for the Integration Joint Board.

39. As previously reported in paragraph 31 the Integration Joint Board achieved a break-even position in 2016/17. This was achieved by reaching a mutual agreement with the partner bodies to provide additional budget during the year.

40. The Strategic Commissioning Plan 2016-19 sets out financial projections for the Integration Joint Board and partner bodies for 2017/18 and 2018/19. [Exhibit 4](#) highlights that the budget is expected to reduce by 2.5% in 2017/18 and by a further 2.5% in 2018/19. The Integration Joint Board has also budgeted for a break-even position in each of these years and this will be challenging.

### Recommendation 2 ([Appendix 1, Action plan point 2](#))

The Integration Joint Board needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges. Robust plans need to be in place as it seems unlikely that further non-recurrent funds will be made available by partners to fund any further pressures.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

### Exhibit 4

Integration Joint Board agreed budget 2016/17 – 2018/19

	Initial Budget 2016/17	Indicative Budget 2017/18	Indicative Budget 2018/19
	£'000	£'000	£'000
Orkney Islands Council	16,833.6	16,496.8	16,166.8

	Initial Budget 2016/17	Indicative Budget 2017/18	Indicative Budget 2018/19
NHS Orkney	15,516.5	15,051.0	14,599.6
Health and Social Care Funding	1,073.0	1,073.0	1,073.0
Total Budget	33,423.1	32,620.8	31,839.4

Source: Orkney Integration Joint Board Strategic Commissioning Plan 2016-19

## Reserves strategy

**41.** The Integration Joint Board approved its reserves strategy at the Integration Joint Board meeting in March 2017. It outlines the type of reserves the Integration Joint Board are allowed to hold including a general fund useable reserve and states that a prudent level of general fund useable reserves will represent approximately 2% of net expenditure.

**42.** In 2016/17 the Integration Joint Board did not have resources to fund the general fund reserve and it is unlikely to occur in 2017/18 with the aim being for the Integration Joint Board to break-even.

**43.** We are satisfied that the Integration Joint Board's reserves policy adequately sets out the circumstances in which reserves can be created, and the governance arrangements around their use.

## Efficiency savings

**44.** NHS Boards and councils have faced several years of financial constraints 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 have already placed significant pressure on health and social care budgets.

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

**46.** The CFO has operational responsibility to look at where efficiencies can be made and has regular contact with Service Managers and Heads of Services to discuss the current budget position and opportunities for securing efficiencies.

# Part 4

## Governance and transparency



### Main judgements

**The Integration Joint Board has appropriate governance arrangements in place that support the scrutiny of decisions by the Integration Joint Board.**

**There is evidence from a number of sources which demonstrates the Integration Joint Board's commitment to transparency.**

### Governance arrangements

**47.** The integration scheme between Orkney Islands Council and NHS Orkney sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.

**48.** The Integration Joint Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of Orkney Integration Joint Board and for monitoring the adequacy of these arrangements. The Integration Joint Board comprises a wide range of service users and partners including three elected councillors nominated by Orkney Islands Council and three members nominated by NHS Orkney.

**49.** The Integration Joint Board is supported by a Chief Officer who provides overall strategic and operational advice to the Integration Joint Board, and is directly accountable to the Integration Joint Board for all of its responsibilities. The Chief Officer is also accountable to both the Chief Executive of Orkney Islands Council and the Chief Executive of NHS Orkney. The Chief Officer provides regular reports to both the Council and the NHS Board.

**50.** The Integration Joint Board is responsible for the management and delivery of health and social care services in the Orkney Islands and is supported by a number of groups. These are the Strategic Planning Group, Clinical and Care Governance Group, Staff Partnership Forum and an Audit Committee. All groups meet quarterly with the exception of the Audit Committee which meets twice each year.

**51.** The Integration Joint Board became fully operational on 1 April 2016. However working in a co-operative fashion between the Health Board and Orkney Islands Council has been in place since 2011 through Orkney Health and Care (OHAC) Partnership. The Chief Executive of NHS Orkney also worked as the Executive Director for Social Work over this period and this aided the establishment of the Integration Joint Board and joint working in general.

**52.** Regular discussion forums are held between the Chair and Vice Chair of the Integration Joint Board, Chair of NHS Orkney, Leader of Orkney Island Council, the two Chief Executives and senior officials, including the Chief Operating Officer of

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

the Integration Joint Board. Overall the process of integration has gone smoothly with no significant issues having been identified in respect of the governance of the Integration Joint Board and the budgeting process.

**53.** As part of the wider review of governance arrangements across the public sector, we completed a follow-up of the Role of Boards national report, published in September 2010. This involved a review of documentation, discussions with key officers and attendance at committee meetings. From this work we found an appropriate level of challenge, scrutiny and discussion at the Integration Joint Board and the Audit and Risk Committee meeting we attended during the year.

**54.** We concluded that overall the Integration Joint Board has adequate governance arrangements in place and they provide a framework for effective organisational decision making.

### Internal audit

**55.** Internal audit provides the Integration Joint Board and Accountable Officer with independent assurance on the Integration Joint Board's overall risk management, internal control and corporate governance processes.

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

**57.** To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed formal reliance on internal audit's work in relation to Procurement of services / practice.

### Transparency

**58.** Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Integration Joint Board is taking decisions and how it is using resources.

**59.** There is evidence from a number of sources which demonstrates the Integration Joint Board's commitment to transparency. The council's website hosts relevant information in relation to the Integration Joint Board including the strategic commissioning plan, the integration scheme, financial regulations and the agendas and papers of board meetings. Integration Joint Board meetings are also open to the public.

**60.** Overall, we concluded that the Integration Joint Board conducts its business in an open and transparent manner.

# Part 5

## Value for money



### Main judgements

**The annual performance report was submitted to the Integration Joint Board meeting in June 2017. The report covered the requirements of the 2014 Act with the exception of Best Value. However, the Integration Joint Board demonstrates its commitment to delivering best value through a number of initiatives and agreed plans.**

### Performance management

**61.** In order to achieve value for money the Integration Joint Board should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**62.** The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the Integration Joint Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.

**63.** The Integration Joint Board receives performance reports on a quarterly basis detailing progress against service delivery plans and highlighting how delivery plan actions relate to national and local outcomes. The performance reports are available on the Integration Joint Board's website.

**64.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan (if applicable).

**65.** An annual performance report was submitted to the Integration Joint Board meeting in June 2017. The report covered the requirements of the 2014 Act with the exception of Best Value. However, the Integration Joint Board demonstrates its commitment to delivering best value through a number of initiatives and agreed plans. An example is the plans and agreed budget in place for the Relocation of the West Mainland Day Centre from Stenness to the Smiddybrae Care Home in Dounby. Once complete the relocation of the centre will enable maintenance of existing levels of quality day centre provision, but relocated within a residential care home in order to benefit from economies of scale and sharing of resources and knowledge.

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

### National performance audit reports

**66.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17 we published a number of reports which are of direct interest to the Integration Joint Board and these are outlined in [Appendix 3](#).

## Good practice

**67.** In an attempt to ensure that people are not admitted to hospital, or delayed in a hospital setting unnecessarily, the Integration Joint Board has been offering alternatives to admission to hospital by piloting a GP led community bed in a care home setting, and has extended the commissioning of a step up/down community facility delivered by the third Sector.

**68.** There is an intensive fostering project in operation which enables children to stay in Orkney rather than having to relocate elsewhere at significantly more expense.

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

Para no.	Issue/risk	Recommendation	Agreed management action/timing
32	<p><b>1. Financial management</b></p> <p>NHS Orkney incurred a deficit of £0.180 million in 2016/17 for the provision of healthcare services allocated by the Integration Joint Board. A decision was made by the Finance and Performance Committee of NHS Orkney to carry the overspend forward to 2017/18 which means that the Integration Joint Board will receive £0.180 million less funding from NHS Orkney in 2017/18.</p> <p>While this decision is in accordance with the agreed Integration scheme it is not based on sound principles.</p>	<p>The Integration Joint Board should ensure that plans are developed so that there will be no recurrence of the £0.180 million overspend and to determine how the Integration Joint Board will manage with £0.180 million less funding from NHS Orkney in 2018/19.</p>	<p>A recovery plan will need to be submitted to the Board on how the overspend will be addressed to a breakeven position. Failure to of the break-even position will be raised with Head of Finance within Council and Director of Finance within NHS.</p> <p>Chief Finance Officer 31/10/17</p>
40	<p><b>2. Financial sustainability</b></p> <p>The Integration Joint Board's financial plans detail reductions of 2.5% in the budgets for 2017/18 and 2018/19. The Integration Joint Board has also budgeted for a break-even position in each of these years and this will be challenging.</p> <p>Robust plans need to be in place as it seems unlikely that further non-recurrent funds will be made available by partners to fund any further pressures.</p>	<p>The Integration Joint Board needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges.</p>	<p>Robust budget monitoring processes and raise the financial strain of future demands based on legislation and service pressures. This will include service pressure bids to Health Boards and Councils.</p> <p>Chief Officer/ Chief Finance Officer 30/11/2017</p>

# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Management override of controls (example)</b></p> <p>As stated in International Standard on Auditing 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Detailed testing of journal entries.</p> <p>Service auditor assurances will be obtained from the auditors of Orkney Island Council and NHS Orkney over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>Substantive testing of journals identified no errors.</p> <p>Accounting estimates, where applicable were satisfactory.</p> <p>No significant transactions outside the normal course of business were identified during the audit process.</p> <p>Service auditor assurances were received and were satisfactory.</p> <p>No fraud concerns were identified from our work in relation to the risk of management override of control.</p>
<p><b>2 Financial statements preparation</b></p> <p>Services were delegated to the Integration Joint Board from 1 April 2016. Therefore 2016/17 will be the first year that delegated services are included in Orkney Integration Joint Board's financial statements. The financial statements will require income, expenditure and year end balances to be agreed with Orkney Islands Council and NHS Orkney.</p> <p>There is a risk that the procedures for agreeing the year end balances are not fully embedded and that the financial statements are not delivered to the agreed timescale and in the required format.</p>	<p>Monthly monitoring of financial information.</p> <p>Officers review the guidance issued by IRAG and LAASAC.</p> <p>Processes and procedures will be agreed to ensure information is provided in a timely manner to support the delivery of the financial statements.</p>	<p>There was on going communication with Chief Financial Officer over the preparation of the accounts to ensure relevant information was included within the annual accounts.</p> <p>The Integration Joint Board met the agreed timetable for the provision of information to the Health Board and council and for the preparation of its own annual accounts. The Integration Joint Board provided information to the Health Board and council within the agreed timescale and the Integration Joint Board accounts were prepared and submitted to audit within the required timetable.</p> <p>Compliance with accounting standards and legislation was assessed during the accounts audit process. No compliance</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>issues were identified.</p> <p>Assurances were received from the auditors of Orkney Islands Council and NHS Orkney. They provided sufficient assurance over the completeness, accuracy and allocation of Integration Joint Board costs.</p>

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

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#### 3 Financial sustainability

The latest financial monitoring report presented to the Integration Joint Board in December 2016 reported a projected outturn of £34.886m against a delegated budget of £34.357m, an overspend of £0.529m. This overspend relates mostly to healthcare services and a recovery plan has been prepared setting out how the Integration Joint Board proposes to address the forecast overspend and return to a breakeven position

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.

Due diligence to be completed on the budget setting process.

Ongoing monitoring of the prescribing expenditure.

Refer to paragraph 40.

Reviewed budget monitoring reports on an ongoing basis.

Confirmation of agreement of funding and balances with host bodies.

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# Appendix 3

## Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

### IJB relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#) – October 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

# Orkney Integration Joint Board

## 2016/17 Annual Audit Report

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