

Orkney Integration Joint Board

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Orkney Integration Joint Board and the Controller of Audit
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Contents

Key messages	3
Introduction	4
1. Audit of 2020/21 annual accounts	6
2. Financial management and sustainability	10
3. Governance, transparency, and Best Value	15
Appendix 1	20
Appendix 2	24
Appendix 3	31

Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts of Orkney Integration Joint Board are unmodified.
- 2 Covid-19 led to delays in the auditing timetable for 2020/21 annual accounts. Submission of the audited annual accounts is in line with revised government timescales.

Financial management and sustainability

- 3 The IJB has appropriate and effective financial management arrangements in place.
- 4 The IJB reported an overall underspend of £2.3 million against the revised budget of £62.7 million. This was mainly due to unspent late funding received from the Scottish Government and is held within IJB reserves.
- 5 The IJB partners have identified a savings target of £4.2 million to be realised by 2022/23. The IJB achieved £0.1 million in 2020/21 and has identified £0.3 million in 2021/22. There is a significant risk that savings targets will not be achieved.

Governance, Transparency and Best Value

- 6 The governance arrangements introduced in response to the pandemic are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.
- 7 The IJB operated with an interim Chief Officer in 2020/21 and there continues to be ongoing reliance on interim and agency staff.
- 8 The ability to secure Best Value relies on appropriate strategic documents and performance management information. In 2020/21 the IJB operated without appropriate arrangements in place for strategic commissioning and performance management, however, this was developed in year and is in place for 2021/22.

Introduction

1. This report summarises the findings from our 2020/21 audit of Orkney Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit Committee meeting in March 2021. This report comprises the findings from:
 - an audit of the IJB's 2020/21 annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The global coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. Risks related to the pandemic were included in our Annual Audit Plan.

Adding value through the audit

4. We add value to the IJB, through audit, by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides
 - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

5. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
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 and supplementary guidance, and International Standards on Auditing in the UK. 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, and the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

7. This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. Our Annual Audit Report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers, and dates for implementation. It also includes outstanding actions from last year and progress against these.

Auditor Independence

9. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

10. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £27,330, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

11. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. 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.

1. Audit of 2020/21 annual accounts

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

Main judgements

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

Covid-19 led to delays in the auditing timetable for 2020/21 annual accounts. Submission of the audited annual accounts is in line with revised government timescales.

Our audit opinions on the annual accounts are unmodified

12. The annual accounts for the year ended 31 March 2021 were approved by the IJB Audit Committee on 17 November 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary, and Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

The annual accounts were signed off in line with timescales permitted to reflect Covid-19

13. As a result of the continuing impact of Covid-19, the submission deadlines for IJB's audited annual accounts and annual audit reports have been set at 30 November 2021.

14. Our Audit Plan highlighted the ongoing impact of Covid-19 on audit resources and the increased time required to conduct our audit procedures remotely. We agreed with management as part of the planning process that we would work to the revised submission deadlines to complete the 2020/21 audit.

15. The unaudited annual accounts were received in line with our agreed audit timetable on 25 June 2021. The working papers provided to support the audit process were of a good standard and the audit team received good support from the finance staff.

16. The completeness and accuracy of accounting records and the extent of information and explanations that we required were not affected by the Covid-19 pandemic.

17. Despite the pressures on the 2020/21 audit process the annual accounts were signed off in line with our planned timetable and the requirements of the Scottish Government.

Overall materiality is £0.7 million

18. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of any identified misstatements on the audit. We identify a benchmark on which to base overall materiality such as gross expenditure and apply what we judge to be the most appropriate percentage level for calculating materiality values.

19. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the financial statements. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

20. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£0.7 million
Performance materiality	£0.35 million
Reporting threshold	£21 thousand

Source: Audit Scotland

Conclusions on audit work to address risks of material misstatement

21. Our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks identified in our Annual Audit Plan are included in [Appendix 2](#). These risks influence our overall audit strategy, the allocation of staff resources to the audit, and indicate how the efforts of the audit team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

Significant findings from the audit of the annual accounts

22. 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 IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

23. The significant findings are summarised in [Exhibit 2](#). Where a finding has resulted in a recommendation to management, a cross reference to the action plan in [Appendix 1](#) has been included.

Exhibit 2

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Disclosures in remuneration report</p> <p>Our audit procedures identified that one individual within the remuneration report's salary information was not complete.</p>	<p>The IJB has adjusted the disclosures in the remuneration report in line with the underlying payroll information.</p> <p>We are satisfied that the revised remuneration report reflects appropriate information for all listed individuals.</p>
<p>2. General Fund Reserve</p> <p>The general fund reserve has increased by £2.0 million during 2020/21. The balance of £2.3 million is wholly held in earmarked reserves.</p> <p>Earmarked reserves are monies that have been provided by the Scottish Government for particular initiatives.</p> <p>As reserves are material, we requested that the IJB put in additional detail outlining the nature of the earmarked monies.</p>	<p>An additional note has been included in the IJB accounts. We have reviewed the allocation of the reserves and concluded that these are appropriate.</p>

Source: Audit Scotland

Identified misstatements of £0.7 million were adjusted in the annual accounts

24. Total misstatements identified were £0.7 million.

25. Two adjustments related to accounting for Covid-19 funding, including the reversal of an accrual of £0.3 million for the one-off £500 payments made to social care staff. This is an agency arrangement with the Scottish Government and should not appear in the IJB's accounts.

26. The IJB recognised a funding contribution of £42.2 million from NHS Orkney, however, this included £0.3 million which related to 2019/20 and was accrued in the 2019/20 financial statements. The income for 2020/21 was therefore overstated and required adjustment. This adjustment made in the audited annual accounts decreased net income in the Comprehensive Income and Expenditure Statement by £0.3 million but did not have an impact on the Balance Sheet.

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

28. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Management have adjusted all identified misstatements above our reporting threshold and there are no unadjusted misstatements to report.

Financial and performance reporting in the Management Commentary has improved in 2020/21

29. Management Commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced, and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

30. The Management Commentary should also clearly explain how the IJB has performed against its budget and how this is reconciled to the financial statements.

31. In 2019/20 we highlighted that the annual accounts required significant changes in order to comply with relevant guidance. The IJB reviewed the narrative elements of the annual accounts to ensure they meet the reporting requirements and improve the clarity of the financial statements.

32. We are satisfied that the action taken by the IJB has enhanced the quality of its management commentary and that the IJB meets the reporting requirements of Local Government Finance Circular 10/2020.

Progress was made on prior year recommendations

33. The IJB has made some progress in implementing our prior year audit recommendations. We are aware the impact of Covid-19 has resulted in some actions being delayed and we are satisfied that work on these areas has now restarted. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management and sustainability

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

Main judgements

The IJB has appropriate and effective financial management arrangements in place.

The IJB reported an overall underspend of £2.3 million against the revised budget of £62.7 million. This was mainly due to unspent late funding received from the Scottish Government and is held within IJB reserves.

The IJB partners have identified a savings target of £4.2 million to be realised by 2022/23. The IJB achieved £0.1 million in 2020/21 and has identified £0.3 million in 2021/22. There is a significant risk that savings targets will not be achieved.

The IJB returned an underspend in 2020/21

34. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

35. The 2020/21 budget was presented to the Board in April 2020. The budget was set at £46.7 million which did not include £7.7million of set aside budget as this was not delegated until September 2020. The achievement of the budget relied on recurring savings of £0.8 million.

36. Over the course of 2020/21 the budget for the IJB increased by £8.2 million to £62.7 million. The most significant contributing factor to the increase in funding was in relation to Covid-19 grants received from the Scottish Government totalling £3.8 million.

37. The impact on public finances of the Covid 19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

38. In addition to the Covid-19 grants the IJB received additional funding of £3.2 million for specific purposes for example winter planning allowance or funding for specific posts. The majority of this funding was non-recurring and will not lead to an increase in the base budget for 2021/22 onwards.

39. Due to unexpected budgetary pressures partner bodies contributed £1.2 million of general funding to bridge budget gaps and ensure all services delivered by the IJB had appropriate funding in year.

40. The additional Covid-19 funding was received close to the year end and was ringfenced for specific purposes. The IJB consequently reported an underspend against the revised budget of £2.3 million ([Exhibit 3](#)). The Covid-19 funding that was not utilised at the year end is shown in earmarked reserves.

Exhibit 3

Performance against budget

IJB budget summary	Original Budget £m	Additional Funding £m	Actual outturn £m
Net Expenditure	54.50	-	60.34
NHS Orkney funding	34.16	8.06	42.22
Orkney Islands Council funding	20.34	0.11	20.45
Total Net Funding	54.50	8.17	62.67
Surplus/ (deficit) on provision of services	-	-	2.33
Earmarked Reserves relating to NHS Orkney	-	-	2.33

Source: OIJB 2020/21 budget monitoring reports and annual accounts.

Set aside budgets for unscheduled care were delegated to the IJB in 2020/21

41. Within the Public Bodies (Joint Working) (Scotland) Act 2014 there is a requirement that the budget for unscheduled adult inpatient services should be delegated to the IJB. The health board can either make direct payments to the IJB for unscheduled care services or it can retain the resources and establish a set aside budget to be directed and controlled by the IJB.

42. Historically the set aside budget has not been operated by the IJB and control has remained with NHS Orkney. The set aside allocation was not included in the 2020/21 budget presented to the Board in April 2020.

43. In May 2020 NHS Orkney approved the formal delegation of the set aside budget to the IJB. NHS Orkney used information within the annual accounts to calculate the set aside and the IJB had no influence over the budgeted figures.

44. The budget for 2021/22 includes a set aside budget of £7.4 million. It is not clear whether the IJB has influenced the budget or that the budget has been created in line with the guidance produced by the National Integration Finance Development Group.

45. There is a history of overspending against set aside budgets since the inception of the IJB and therefore it is critical that the IJB has the scope to influence budgets and expenditure. The IJB has plans to progress this in 2021/22 and we will consider this as part of our audit work.

There has been some improvement to the budgeting processes

46. In previous years we have reported that the IJB budget has not been formally approved prior to the start of the financial year. Differing budget timescales across partner bodies had proved to be an ongoing issue.

47. There were specific challenges in approving the budget in 2020/21 due to the Covid-19 pandemic and delays in partner bodies approving their budgets. Although the 2020/21 IJB budget was presented to the Board in April 2020 it was for noting only and was not approved.

48. The 2021/22 budget was approved by the Board in April 2021 and predicted a breakeven position based on the use of earmarked reserves and achievement of savings targets.

49. Detailed budget monitoring reports were submitted on a quarterly basis to meetings of the Board throughout the year. The outturn to date and forecast year-end outturn position were made clear within each report and the actual year-end outturn position was in line with revised expectations.

50. The content of these finance updates reflects the financial impact of Covid-19. In February 2021 the Board were updated with the latest budget position and were provided with the projected year end outturn. The paper projected an overspend of £2.7 million with £2.1 million of this being unfunded Covid-19 costs.

51. The financial position of the IJBs changed rapidly at the year end. By the end of February 2021 funding had been agreed and at year end had been passed to the IJBs. The late funding resulted in a significant increase in reserves of £2.0 million bringing the year-end balance to £2.3 million.

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

The IJB has a medium-term financial plan which identifies a shortfall of £4.9 million. It is unclear how planned future savings will be achieved.

53. 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.

54. The IJB approved a medium-term financial plan for the period 2019 to 2022 in June 2019. This identified a shortfall of £1.6 million in each year from 2019/20 to 2021/22 totalling £4.9 million.

55. At a Board meeting in April 2020 the members were informed that the IJB partners advised that £4.2 million savings were required to be achieved to ensure financial balance is sustained over the three-year period to 2022/23. This equates to £1.4 million recurring savings per year.

56. Covid-19 impacted the IJB's ability to generate savings in 2020/21 and the IJB did not generate any recurring savings. The savings target for 2021/22 is £1.8 million which is attributable to services provided by NHS Orkney. The IJB had identified £0.3 million of savings in the budget and there is a high risk that the savings required will not be achieved in 2021/22.

57. Both the medium term financial plan and the savings target were prepared under business as usual assumptions prior to the emergence of Covid-19. The IJB has recognised that Covid-19 had an exceptional impact on health and social care services during 2020/21 and the challenges will continue into 2021/22 onwards.

58. The financial sustainability of the IJB remains a very high risk on the risk register and routine updates on current performance and future projections have been provided to members over the course of the financial year. However, work must be done to revise the medium-term financial plan and savings plans to take account of the impact, new challenges and new ways of working as a result of Covid-19.

Recommendation 1

The existing medium-term financial plan should be revised to take account of the impact of Covid-19 and incorporate plans for generating the revised level of required savings.

Financial systems of internal control operated effectively

59. The IJB relies on the information generated by its partner bodies (the Orkney Islands Council and NHS Orkney) for key financial systems such as the ledger and payroll. The details of the IJB's financial transactions are processed through the partners' systems and those partners are responsible for appropriate systems of internal control. The IJB's transactions are maintained separately from those of the partner bodies in respective ledgers.

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

Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate

61. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partnership bodies. We reviewed the arrangements in place at partnership bodies and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest is publicly available on the partners' websites.

62. We have concluded that appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

3. Governance, transparency, and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information. Using resources effectively and continually improving services.

Main judgements

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

The IJB operated with an interim Chief Officer in 2020/21 and there continues to be ongoing reliance on interim and agency staff.

The ability to secure Best Value relies on appropriate strategic documents and performance management information. In 2020/21 the IJB operated without appropriate arrangements in place for strategic commissioning and performance management, however, this was developed in year and is in place for 2021/22.

Governance arrangements operating throughout the Covid 19 pandemic have been appropriate and operated effectively

63. The IJB is responsible for the management and delivery of health and social care services in the Orkney Isles and includes three voting members each from NHS Orkney and the Council as well as a non-voting representation from a range of service users.

64. The Covid-19 pandemic has not had a significant impact on the IJB's governance arrangements, including scrutiny, challenge, and decision-making. During 2020/21 the IJB held Board and Audit Committee meetings virtually as a result of the pandemic. Committees and Board meetings continued to be held in line with original plans.

65. The governance and transparency arrangements we consider as part of our audit work includes board and committee structure, standards of conduct and the openness of board and committees.

66. A number of governance publications have not been reviewed since 2018 and are difficult to find via the website. This includes the Financial Regulations and the Structure and Membership of Groups. The availability of these

documents, once updated, would enhance the overall openness and transparency of the IJB.

Recommendation 2

The IJB should ensure that key governance documents are up to date and easily accessible by the public.

67. From our attendance at Board and Audit Committee meetings and our review of minutes, we have concluded that the IJB members and management understand the distinct nature of their roles and responsibilities. In June 2021 we worked with the IJB to deliver financial statements refresher training to members to help enhance their knowledge and understanding and improve overall scrutiny.

Integration Scheme

68. The Public Bodies (Joint Working) (Scotland) Act 2014 required a review of the integration schemes by March 2021. The IJB has conducted a preliminary review of their arrangements with partner bodies and reported to the Board in September 2020 that there were no immediate actions required.

69. It was agreed that there would be benefit in a more detailed review including an options appraisal for all delegated services to ensure the most efficient planning and delivery of services. The review is scheduled to be completed and reported in November 2021.

Changes in senior officers

70. Throughout 2020/21 the IJB operated with key senior officers appointed on an interim basis. The interim Chief Officer was appointed in August 2020 and continued in this role until May 2021 when a permanent appointment was made.

71. In February 2020 the Chief Social Work Officer resigned and temporary arrangements were put in place until an interim replacement commenced in July 2020. The ongoing use of interim staff in senior roles creates a higher risk that the IJB will fail to deliver its Strategic Plan.

72. The IJB has recognised this significant risk on the risk register along with a wider risk over workforce capacity. The IJB has highlighted the risk that the service does not have the right staff in the right place at the right time to deliver Strategic Plan priorities and statutory functions.

73. A workforce plan was approved by the IJB in December 2020 which sets out key actions for the IJB, however there remains ongoing reliance on interim and agency staff. We will monitor progress in 2021/22 as part of our audit work.

The IJB is developing arrangements to secure Best Value

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

75. 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 the strategic commissioning plan. The development of key strategic documents and appropriate performance reporting supports the achievement of Best Value. Arrangements to demonstrate Best Value were not fully in place in 2020/21 as the IJB worked to update the Strategic Commissioning Implementation Plan and create a performance management framework.

76. The IJB approved an updated Strategic Commissioning Implementation Plan (SCIP) in June 2021. The updated SCIP focuses on delivering the final year of the strategic plan and recovery from Covid-19. There is recognition that a revised Strategic Plan is required to address the impact of the pandemic and a comprehensive joint strategic needs assessment has been commissioned to feed into the IJB Strategic Plan 2022-25.

77. Management presented the draft Annual Performance Report for 2020/21 to the Board in October 2021 in line with the extension allowed in the Coronavirus (Scotland) Act 2020. The report sets out the performance of the IJB in the year including performance against the local and national indicators identified by the Board and the Scottish Government.

78. The report clearly outlines the impact of Covid-19 on the performance of the IJB and identified challenges in the services changes required to meet the changing demands of users and the IJB's ability to retain and recruit appropriate staff.

79. Performance against national and local indicators shows that Orkney is performing better than the national average in all areas. Although this is a positive position the IJB has recognised that there is work to be done to improve the support provided to carers as currently only 41% felt supported in their role.

Performance management

80. We reported in 2019/20 that the IJB does not provide performance management information to those charged with governance throughout the financial year.

81. Effective arrangements for scrutinising performance are key in ensuring strategic objectives are delivered and partners held to account. The benefits of performance management information can only be achieved if the information is accurate and received in time to drive improvement actions.

82. Other than the annual performance report, the IJB did not provide any performance management information to those charged with governance in 2020/21. This limited members' ability to scrutinise performance or monitor progress against strategic targets.

83. The IJB has taken steps to address our 2019/20 audit findings and approved a performance management framework in June 2021 which has been designed to link inputs, outputs and outcomes. The performance management framework has been designed to support the SCIP and will be reviewed to align to the revised strategy in 2022. Performance reports will be presented to every second meeting of the Board.

84. We will consider the performance management reporting in 2021/22 and evaluate whether the new arrangements support effective scrutiny and the principles of best value.

Review of adult social care services

85. An independent review of adult social care services was published in February 2021. This was requested by the Scottish Government in September 2020 with the primary aim of the review being to recommend improvements to adult social care services in Scotland. The review made a number of recommendations including the set-up of a National Care Service for Scotland that is equal to the NHS, and that self-directed support must work better for people with decisions being based on their needs, rights and preferences.

86. The IJB has assessed the review and conducted a self-assessment which sets out the current position and further planned work. This was reported to the Board in June 2021. The IJB continues to monitor developments as a result of the review and is actively engaged in discussions around the implementation of the review with partners and stakeholders.

Progress is being made in addressing issues in child services

87. In February 2020 the Care Inspectorate published [Report of a joint inspection of services for children and young people in need of care and protection in Orkney](#). The report highlighted a number of areas requiring improvement with regards to child protection.

88. An action plan was developed to address the improvement areas outlined in the Care Inspectorate report. There were 27 actions covering four themes:

- Governance, assurance and data
- Policy, systems, process and procedure
- Getting it right for every child
- Corporate parenting.

89. The IJB has presented progress reports regularly to the Board throughout 2020/21 which clearly set out actions taken to address the key issues identified

in the Care Inspectorate report and detailed progress against the improvement plan.

90. Between April and June 2021, a team of inspectors from the Care Inspectorate, Healthcare Improvement Scotland, Her Majesty's Inspectorate of Constabulary for Scotland and Education Scotland carried out a review of progress made in addressing the findings.

91. The review focused on the response to the initial concerns in relation to children in need of protection and the way leaders were overseeing arrangements to protect children and young people.

92. The review found that there was encouraging progress in responding to areas of improvement, and key processes in responding to children in need of protection had improved. The improvements included a new inter-agency referral discussion process, improved collaborative working through the relaunch of the Children's Services Plan and better support to staff through training and supervision.

93. The report also highlighted that all partners need to maintain momentum to sustain the improvements. The report recognised the challenges in Orkney around the limited number of senior officers, many of whom are in interim positions. The visibility of senior leaders is key to driving further improvements which are required.

94. It was noted that the changes had been made in the six months preceding the follow up visit and therefore it was too early to see conclusive evidence of their effect. The report highlighted that the partnership should increase its focus on outcomes and that there was scope to further refine strategic planning arrangements, the approach to self-evaluation and quality assurance to support this shift in focus.

National performance audit reports

95. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 3](#).

96. From attendance at the Board and Audit Committee, we note that the IJB has arrangements in place for considering and reviewing national reports including any locally agreed actions.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Medium term financial plan update</p> <p>The medium term financial plan and savings targets were developed prior to the emergence of Covid-19. The increased costs of Covid-19 are therefore not yet reflected.</p> <p>Risk – There is a risk that the IJB will not be able to deliver services over the medium term.</p>	<p>The existing medium-term financial plan should be revised to take account of the impact of Covid-19 and incorporate plans for generating the revised level of required savings.</p> <p>Paragraph 58.</p>	<p>There will be an updated Medium Term Financial Plan to take into account the impact of Covid 19 and in line with the Strategic Plan.</p> <p>Chief Finance Officer June 2022</p>
<p>2. Governing documents</p> <p>A number of the governing documents have not been reviewed since 2018 and are difficult to find on the website.</p> <p>Risk – There is a risk that the governing documents do not reflect current arrangements nor meet the IJB's commitment to openness and transparency.</p>	<p>The IJB should ensure that key governance documents are up to date and easily accessible by the public.</p> <p>Paragraph 66.</p>	<p>There will be a review of documents to ensure they can be easily accessed on the website.</p> <p>Chief Finance Officer January 2022</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>4. Unscheduled care budget</p> <p>Arrangements for the set aside budget for hospital</p>	<p>The IJB and NHS Orkney should agree robust arrangements for managing the unscheduled care budget.</p>	<p>In Progress</p> <p>The unscheduled care budget was delegated to the IJB in 2020/21, however, further</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance. From April 2020 it is anticipated the IJB will have control over the set aside budget.</p> <p>Risk - There is a risk that set aside budgets do not operate in line with Scottish Government Guidance.</p>		<p>work is required to ensure the IJB has appropriate influence over the budget. A development session is being set up with Scottish Government to get a better understanding of the roles and responsibilities of IJB.</p> <p>Chief Finance Officer</p> <p>January 2022</p>
<p>5. Budget approval</p> <p>The budget for 2019/20 was again accepted with partners but not formally approved. The 2020/21 budget has not been formally approved due to uncertainty around funding allocations from partners.</p> <p>Risk - There is a risk that the IJB is not able to deliver its statutory duties and strategic priorities if realistic financial plans have not been agreed prior to the start of each financial year.</p>	<p>The Chief Finance Officer and partners should be in a position to agree financial plans which are realistic and sustainable prior to the start of each financial year.</p>	<p>Complete</p> <p>The 2021/22 budget was approved by the Board in April 2021.</p>
<p>6. Financial sustainability</p> <p>The IJB Partners have advised that a £4.2 million of efficiency savings are required to be achieved over the next three years, however, a detailed programme of savings still requires to be approved to ensure a balanced budget.</p> <p>Risk – the IJB may not be able to deliver a break-even outturn in 2020/21 and beyond.</p>	<p>The IJB should work with partners to agree a detailed programme of efficiency savings to ensure the IJB can deliver services while operating within budget.</p>	<p>In Progress</p> <p>The IJB has not developed savings plans and currently only £0.3 million of savings have been identified.</p> <p>This action has been superseded by recommendation 1.</p>
<p>7. Integration Scheme Review</p>	<p>The IJB should review and update their Integration Scheme to ensure there is a</p>	<p>In Progress</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>The IJB has planned to undertake a review of their integration scheme over the past two years however, the commencement of the new Chief Officer in September 2018 and then the Covid-19 pandemic has resulted in the this being delayed. An area which we have highlighted in previous years that requires to be reviewed is that Integration Scheme currently includes a section (2.10.7.5) which states that any additional payments paid by partner bodies may be deducted from future years funding.</p> <p>Risk – There is a risk that complying with this paragraph in the Integration Scheme could jeopardise the financial sustainability of the IJB.</p>	<p>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>The revised Integration Scheme has been developed and will be presented to the Board and Partners in November 2021.</p> <p>Chief Officer January 2022</p>
<p>8. Members' Training</p> <p>The IJB members understanding of the distinct nature of their roles and responsibilities could be improved through receiving financial statements refresher training, to help enhance overall scrutiny.</p> <p>Risk – There is a risk that the opportunity for members to discharge their responsibilities effectively is reduced if they do not have a comprehensive understanding of the financial statements.</p>	<p>The IJB members should undertake refresher training covering their role and responsibilities over financial reporting and scrutiny.</p>	<p>Complete</p> <p>Training was provided by the IJB and Audit Scotland in June 2021.</p>
<p>9. Performance Management</p> <p>The IJB should have effective arrangements for scrutinising</p>	<p>The IJB should create a robust approach to performance management</p>	<p>In Progress</p> <p>Other than the annual performance report, the IJB did not provide any</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>performance, monitoring progress towards their strategic objectives and holding partners to account. However, performance management information was not provided to those charged with governance throughout the financial year.</p> <p>Risk - There is a risk that performance failures are not identified in sufficient time to take corrective action.</p>	<p>and monitor performance regularly.</p>	<p>performance management information to those charged with governance in 2020/21.</p> <p>A performance management framework has been developed.</p> <p>There is a plan to amend the Terms of Reference of the Audit Committee to become a Performance and Audit Committee and it is envisaged that performance reports will go there for scrutiny.</p> <p>The aim is to convene this committee quarterly with performance report being brought to every committee. Assurance will be provided to IJB by a Chair's Report and minutes being shared with IJB.</p> <p>Chief Finance Officer December 2021</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 report and accounts and those relating our wider responsibility under the Code of Audit Practice.

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Agreement of balances and transaction to Orkney Islands Council and NHS Orkney financial reports.</p> <p>Service auditor assurances will be obtained from the auditors of the Orkney Island Council and NHS Orkney over the completeness, accuracy and allocation of the journal entries.</p>	<p>Results: Audit testing of journal entries, accruals and prepayments was completed at NHS Orkney and Orkney Islands Council. We received assurances from both bodies over the appropriateness of journal entries.</p> <p>We also reviewed accounting estimates and transactions for appropriateness.</p> <p>We did not identify any incidents of management override of controls.</p> <p>Conclusion: Satisfactory.</p>
<p>2. Risk of material misstatement caused by fraudulent expenditure recognition</p> <p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated in the financial statements.</p> <p>We consider there to be a risk over the completeness, accuracy and occurrence of</p>	<p>Service auditor assurances will be obtained from the auditors of the Orkney Island Council and NHS Orkney over the completeness, accuracy and allocation of the expenditure entries.</p>	<p>Results: Assurances from the external auditors of NHS Orkney and Orkney Islands Council confirmed there were no weaknesses in the systems of internal controls for the health board and no weaknesses in the systems of internal controls for the council which would have an impact on the IJB.</p> <p>Conclusion: Satisfactory.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>expenditure as the IJB is reliant on partner bodies allocating expenditure appropriately.</p>		
<p>3. Annual accounts preparation</p> <p>In 2018/19 and 2019/20 the annual accounts required significant changes in order to comply with relevant guidance. We highlighted that a quality assurance process should be implemented to ensure the content of the annual accounts is clear, concise and consistent.</p> <p>Additional disclosures and commentary in the annual accounts may need to be considered to reflect the impact of Covid-19.</p> <p>There is a risk that the performance of the IJB and the impact of Covid-19 is not reported in a transparent manner.</p>	<p>We will liaise with key officers to ensure a quality assurance process is in place and the accounts are of sufficient quality to allow the audit to progress in line with planned timescales.</p>	<p>Results: We have reviewed the Management Commentary in 2020/21 and concluded that the report has improved. There is appropriate disclosure around the impact of Covid-19 and there are no significant areas of non-compliance.</p> <p>Conclusion: Satisfactory.</p>
<p>4. Set aside budget</p> <p>The “set aside” budget is Orkney Integration Joint board’s share of the budget for delegated acute services provided by hospitals on behalf of the IJB.</p> <p>NHS Orkney formally delegated the responsibility for the set aside budget to the IJB for the first time in 2020/21. The £7.4 million indicative set aside budget has been used to commission services of this value from NHS Orkney.</p> <p>There is a risk that although the unscheduled care budget is delegated to the IJB the</p>	<p>Review of the set aside arrangements in place.</p> <p>Engage with officers to ensure a robust mechanism has been developed to quantify the set aside income and expenditure.</p> <p>Review the financial reporting of set aside transactions for appropriateness.</p>	<p>Results: The unscheduled care budget was delegated to the IJB in 2020/21, however, further work is required to ensure the IJB has appropriate influence over the budget. The IJB has plans to progress this in 2021/22.</p> <p>We have received appropriate assurances from the auditor of NHS Orkney that the set aside figures in the 2020/21 accounts are appropriate.</p> <p>Conclusion: We are satisfied the financial reporting of set aside is appropriate in 2020/21 but further audit work is required on the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>arrangement is not working as intended.</p> <p>There is also a risk that set aside services are not recorded appropriately and the amount recorded in the annual accounts does not reflect actual hospital use in 2020/21.</p>		<p>budget setting process in 2021/22.</p>
<p>5. Projected financial outturn</p> <p>The December 2020 financial monitoring report indicates that the IJB will have a projected overspend of £2.926 million at the year-end as a result of additional costs in relation to implementation of the Children and Families joint inspection improvement plan and Covid-19.</p> <p>The projected overspend does not include any under or overspend related to the unscheduled care budget which is reported separately.</p> <p>There is risk that expenditure and income are not in line with expectations, leading to an unplanned surplus or deficit.</p>	<p>Ensure budget monitoring is robust and accurately reflects the financial position.</p> <p>Confirmation of compliance with the Orkney Integration Scheme.</p> <p>Review of recovery plans put in place by partners for reasonableness.</p>	<p>Results: At 31 March 2021, the IJB reported an underspend of £2.3 million against its un-approved 2020/21 budget.</p> <p>The underspend related to ringfenced funding received late and related to Covid-19 and is held as an earmarked reserve.</p> <p>Conclusion: Satisfactory.</p>
<p>6. Potential misstatement of payments to primary care contractors</p> <p>Payments to primary care contractors are a material and complex account area.</p> <p>The service auditor issued qualified audit opinions in 2019/20 across the four primary care payment streams which reflected an absence of evidence to confirm the operation of a range of expected controls.</p>	<p>Consideration of 2020/21 service auditor's report covering the financial ledger, IT contracts and Practitioners Services Division under ISA 402.</p> <p>Service auditor assurances will be obtained from the auditors of the NHS Orkney over the completeness, accuracy and allocation of the primary care expenditure entries.</p>	<p>Results: Assurances from the external auditors of NHS Orkney have confirmed that there are no weaknesses in the systems of internal controls for the health board which would have an impact on the IJB.</p> <p>Conclusion: Satisfactory.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>While recommendations were agreed, it is uncertain to what extent they have been implemented and improvements made.</p> <p>There is a risk of misstatement in the annual accounts due to the use of some estimates and uncertainty about the extent of improvement made by NHS NSS in responding to weaknesses reported by the service auditor in June 2020.</p>		

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

Audit risk	Assurance procedure	Results and conclusions
<p>7. Budget setting</p> <p>In previous years the IJB budget has not been formally approved by members due to uncertainty around funding allocations from the partner bodies. The IJB has not yet received a formal offer from either Orkney Islands Council or NHS Orkney regarding the 2021/22 budget.</p> <p>There is a risk that these figures will not be finalised before the start of the 2021/22 financial year and the IJB will be operating without a formally agreed budget.</p>	<p>Ongoing monitoring of budget setting in 2020/21 for future financial years.</p>	<p>Results: The 2021/22 budget was approved by the Board in April 2021.</p> <p>Conclusion: Satisfactory.</p>
<p>8. Financial sustainability</p> <p>At the start of the year three-year efficiency savings of £4.2 million had been informally agreed by Partners.</p>	<p>Review of ongoing budget monitoring and progress on meeting savings targets.</p> <p>Review of revised financial plans and the development of savings options at the IJB.</p>	<p>Results: The medium term financial plan does not reflect the impact of Covid-19 and the achievement of savings targets is a significant ongoing challenge for the IJB.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>By December 2020 only £0.114 million had been achieved. The pandemic has limited the IJB's capacity to plan for and realise savings.</p> <p>Medium term financial planning will have to be revised to determine a realistic level of savings to set as a target.</p> <p>There is a risk that the IJB may not be able to deliver a break-even outturn in 2020/21 and beyond</p>		<p>Conclusion: Work ongoing - a recommendation has been made in Appendix 1.</p>
<p>9. Integration Scheme Review</p> <p>A review of the Integration Scheme, in accordance with statutory regulation requirement, was planned for 2018/19 however, it has been delayed.</p> <p>As part of this review the IJB should review section (2.10.7.5) which states that any additional payments paid by partner bodies may be deducted from future years' funding.</p> <p>There is a risk that the Integration Scheme is out of date and not complying with regulations.</p>	<p>Review of the governance and scrutiny of any changes made to the integration scheme.</p> <p>Confirmation of proposed changes to the integration scheme providing comment in our annual audit report.</p>	<p>Results: The revised Integration Scheme has been developed and will be presented to the Board and Partners from November 2021.</p> <p>Conclusion: Ongoing audit work required in 2021/22.</p>
<p>10. Changes in leadership</p> <p>The IJB has an interim Chief Officer in place and has implemented interim arrangements to cover three other vacancies within the senior management team.</p> <p>The IJB is taking steps to recruit key members of staff. However, there are current national challenges in recruitment and there is</p>	<p>We will monitor progress with the recruitment process and consider the governance processes around the appointment.</p> <p>We will consider whether the induction and handover processes are appropriate.</p> <p>We will consider the impact of interim arrangements on governance processes.</p>	<p>Results: A permanent appointment to the Chief Officer role was made in early 2021/22. There are continued interim arrangements in place for the Chief Social Worker role and increased pressure on resourcing which has resulted in a high volume of agency staff being used in 2020/21.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>therefore a risk that these posts may take time to fill.</p>		<p>Conclusion: Ongoing audit work required in 2021/22.</p>
<p>11. Performance management and best value</p> <p>The IJB should have effective arrangements for managing performance and securing best value. In line with the Public Bodies (Joint Working) (Scotland) Act 2014 the IJB publishes an annual performance report.</p> <p>The management information is only provided to those charged with governance on an annual basis and there is a risk that performance failures are not identified in sufficient time to take corrective action.</p> <p>Historically the annual performance report has not included an assessment of the IJB's best value arrangements. There is a risk that the IJB is not able to demonstrate that it is complying with guidance and delivering best value to the residents of Orkney.</p>	<p>Review of action taken to develop a performance management framework which incorporates regular reporting to those charged with governance.</p> <p>Consider the IJB's best value arrangements and whether there is appropriate scrutiny of best value by those charged with governance.</p>	<p>Results: A performance management framework has been developed. It is anticipated performance monitoring reports will be presented to every second meeting of the Board.</p> <p>Conclusion: Ongoing audit work required in 2021/22.</p>
<p>12. Risk management</p> <p>The risk management strategy indicates that the risk register should be reviewed at least on a six monthly basis. However, the current risk register was last updated and presented to the Board in December 2019. 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.</p>	<p>We will monitor progress in reviewing the risk management process, providing comment in our annual audit report 2020/21.</p>	<p>Results: Risk management arrangements were developed in 2020/21 and a revised risk management strategy was approved in February 2021. Throughout 2020/21 the risk register was not subject to appropriate scrutiny by the Board. Following the approval of the risk management strategy this has been presented to both the April and June 2021 meetings.</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>Conclusion: While risk management arrangements were not in place during 2020/21 we are satisfied that progress has been made and there has been appropriate scrutiny in 2021/22 to date.</p>

Appendix 3

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

Orkney Integration Joint Board

2020/21 Annual Audit Report

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