

Shetland Islands Health and Social Care Partnership

 Shetland NHS Board	 Shetland Islands Council
Enquiries to Leisel Malcolmson, Committee Officer Direct Line: 01595 744599 E-mail: leisel.malcolmson@shetland.gov.uk	
13 September 2019	

Dear Member

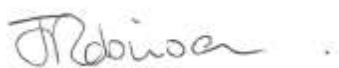
Special IJB Audit Committee

Thursday 26 September 2019 at 2 p.m.

Bressay Room, NHS Shetland HQ, Burgh Road, Lerwick

Apologies for absence should be notified to SIC Committee Services on 01595 744599.

Yours sincerely



Josephine Robinson
Interim Chief Officer

Chair: E Macdonald
Vice-Chair: S Manson

AGENDA

ITEM	
A	Welcome and Apologies
B	Declaration of interests - Members are asked to consider whether they have an interest to declare in relation to any item on the agenda for this meeting. Any member making a declaration of interest should indicate whether it is a financial or non-financial interest and include some information on the nature of the interest. Advice may be sought from Officers prior to the meeting taking place.
1	Annual Audit Report 2018/19 CC-38
2	Final Audited Accounts 2018/19 CC-37
3	Date of Next and Future meetings: 7 November 2019, Bressay Room, NHS HQ, Burgh Road, Lerwick at 2pm 6 February 2020, Bressay Room, NHS HQ, Burgh Road, Lerwick at 2pm



Shetland Islands Council

Agenda Item

1

Meeting(s):	IJB Audit Committee Integrated Joint Board	26 September 2019 26 September 2019
Report Title:	Annual Audit Report 2018/19	
Reference Number:	CC-38-19	
Author / Job Title:	Karl Williamson – Chief Financial Officer	

1.0 Decisions / Action required:

- 1.1 The IJB Audit Committee and the IJB NOTE Deloitte's Annual Audit Report on the 2018/19 Audit (Appendix 1).

2.0 High Level Summary:

- 2.1 IJBs are specified in legislation as 'Section 106' bodies under the terms of the Local Government (Scotland) Act 1973, so are expected to prepare their financial statements in compliance with the Code of Practice on Local Government Accounting in the United Kingdom.
- 2.2 The purpose of this report is to receive Deloitte's Annual Audit Report on the 2018/19 Audit.

3.0 Corporate Priorities and Joint Working:

- 3.1 The IJB is a separate legal entity, accountable for the stewardship of public funds and expected to operate under public sector best practise governance arrangements, proportionate to its transactions and responsibilities.
- 3.2 Section 95 of the Local Government (Scotland) Act 1973 requires that every local authority shall make arrangement for the proper administration of their financial affairs. One of the key controls for financial management is the preparation of annual accounts which will be submitted for external audit.

4.0 Key Issues:

- 4.1 Deloitte has issued a final report for their 2018/19 audit. The report summarises their findings and conclusions in relation to:
- The audit of the financial statements; and
 - Consideration of the four audit dimensions that frame the wider scope of public sector audit requirements, being, financial sustainability, financial management, governance and transparency and value for money.
- 4.2 Based on their audit work, Deloitte expect to issue an unmodified audit opinion in respect of the Annual Accounts.

4.3	The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements. No material misstatement of disclosure deficiencies have been identified in the course of the audit.
4.4	Deloitte's interim report, presented to the IJB in June 2019, set out the findings and conclusions on each audit dimension. This final report provides an overall conclusion on each dimension on page 5 (Appendix 1).
5.0 Exempt and/or confidential information:	
5.1	None.
6.0 Implications :	
6.1 Service Users, Patients and Communities:	None
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	IJBs are specified in legislation as 'Section 106' bodies under the terms of the Local Government (Scotland) Act 1973, so are expected to prepare their financial statements in compliance with the Code of Practice on Local Government Accounting in the United Kingdom.
6.5 Finance:	There are no financial implications arising from this report.
6.6 Assets and Property:	None
6.7 ICT and new technologies:	None
6.8 Environmental:	None
6.9 Risk Management:	The Annual Audit Report includes the identification of key risks and internal control arrangements in place to manage those risks, together with any improvement actions required.
6.10	Shetland's Integration Joint Board (IJB) was formally constituted on 27 June 2015 and operates in accordance with

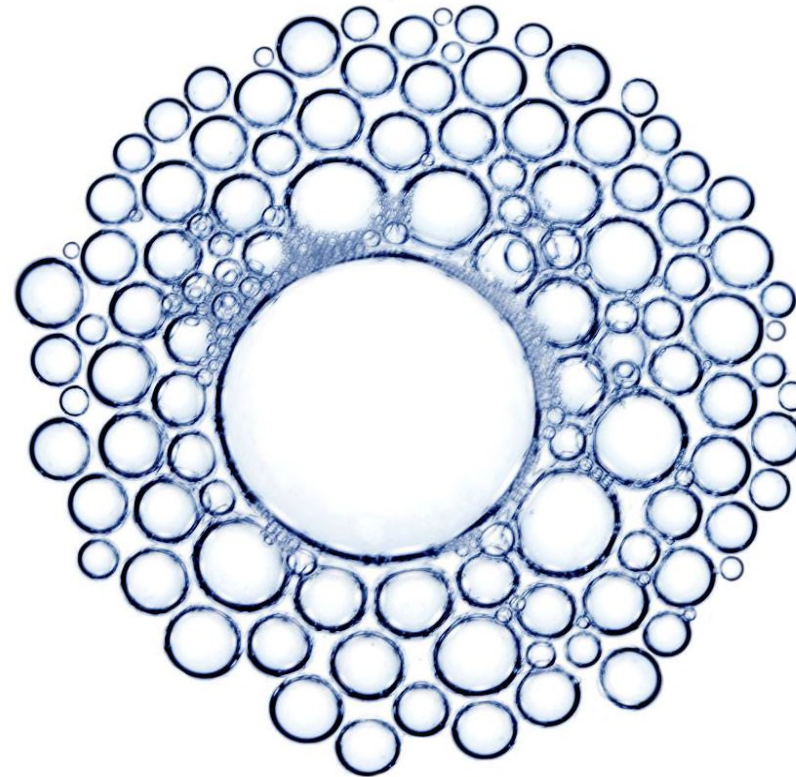
Policy and Delegated Authority:	<p>the approved Integration Scheme, Scheme of Administration, and the Financial Regulations.</p> <p>The IJB Audit Committee remit includes consideration of all the reports from the external auditors, including the External Auditor's Annual Report and to review the IJB's financial performance as contained in the Annual Report. Receiving the audited account of the IJB and related certificates and report is a matter reserved by the IJB.</p>	
6.11 Previously considered by:	<i>n/a</i>	<i>n/a</i>

Contact Details:

Karl Williamson, Chief Financial Officer, karlwilliamson@nhs.net, 02 September 2019

Appendices:

Appendix 1 – Deloitte's Annual Audit Report 2018/19



Shetland Islands Integration Joint Board

Report to the Audit Committee, Members of the IJB and the
Controller of Audit on the 2018/19 audit

Issued 3 September 2019 for the meeting on 26 September 2019

Contents

01 Our final report

Introduction	3
Our audit explained	6
<i>Financial statements audit</i>	
Significant risks	8
Other matters	11
Our audit report	12
Your annual report	13
<i>Audit dimensions</i>	15

02 Appendices

Purpose of our report and responsibility statement	20
Audit adjustments	21
Action plan	22
Fraud responsibilities and representations	23
Independence and fees	24

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Audit Committee ('the Committee') of Shetland Islands Integration Joint Board ('the IJB' 'the Board') for the 2019 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2019.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the **four audit dimensions** that frame the wider scope of public sector audit requirements as illustrated in the following diagram. This includes our consideration of the Board's duty to secure best value.



Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

Following amendments identified during the course of our audit, the management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Board.

The auditable parts of the remuneration and staff report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 8.

No misstatements in excess of our reporting threshold of £39k or disclosure deficiencies have been identified up to the date of this report.

Status of the financial statements audit

Outstanding matters to conclude the audit include:

- Finalisation of internal quality control procedures;
- Receipt of final financial statements;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2019.

Conclusions on audit dimensions

As set out on page 3, our audit work covered the four audit dimensions. This incorporated the specific risks highlighted by Audit Scotland, in particular, the impact of EU withdrawal, the changing landscape for public financial management, dependency on key suppliers and increased focus on openness and transparency.

Our detailed interim report, presented to the Committee in June 2019, set out our findings and conclusions on each dimension. We have updated this for any significant changes since that report and our overall conclusion on each dimension is summarised on page 5.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions (continued)

Financial sustainability

The IJB is not in a financially sustainable position and significant funding gaps are forecast for future years. The IJB needs to work with its partners to prioritise and progress transformational change, considering alternative methods of service delivery or taking difficult decisions such as changes to the level of service provided in order to reach a financially sustainable position in the medium to longer term.

Financial management

The IJB has effective financial management processes in place. However, there is room for improvement in the budget-setting process, the reporting of progress against budget and changes to the budget in year.

Governance and transparency

The IJB promotes a culture of openness and transparency, although there is room for improvement and the IJB needs to adopt an approach of always 'striving for more'.

The IJB needs to significantly improve its approach to self assessment. It should develop a self assessment programme to ensure that the Council has adequate arrangements in place.

Value for money

While the IJB's performance continues to fare well against the national average, this comes at substantial cost. Given the current financial position, the IJB needs to consider the targets it sets and outline what it considers acceptable performance in lower-priority areas, ensuring such decisions are made through engagement with the wider community.

When preparing its budget, the IJB should make clear links to outcomes and outline how spend is improving outcomes or how spend will be reduced in areas that are not impacting on outcomes achieved.

The IJB has been performing consistently against its targets. However, performance has declined from 2017/18. There needs to be a clear link between cost and performance, and the IJB should consider the targets it sets on an ongoing basis to ensure they remain realistic, demonstrate a commitment to improvement and are aligned with the Scottish Government's National Performance Framework.

Our conclusions are included on pages 16 to 18 of this report, with the detailed findings and agreed Action Plan included in our interim report in June 2019.

We will consider progress with the agreed actions as part of our 2019/20 audit.

Added value

Our aim is to add value to the IJB by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision-making, and more effective use of resources.

This is provided throughout this report and our separate interim report. In particular, we have added value through our work with the IJB by sharing best practice on medium-term financial planning. We also believe that our input has encouraged a constructive discussion of the IJB's governance arrangements, its approach to openness and transparency, how it works to improve outcomes for the community and how it can use self-assessment to improve performance.

Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered how you are addressing the four audit dimensions:

- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 8 provides a summary of our risk assessment of your significant risks.

Quality and Independence

We confirm we are independent of Shetland Islands Integration Joint Board. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Final audit report

In this report we have concluded on the audit risks identified in our planning report and any other key findings from the audit.

Key developments in your business

As noted in our planning report, the IJB continues to face significant financial challenges due to an increase in cost whilst facing increased demand for services.

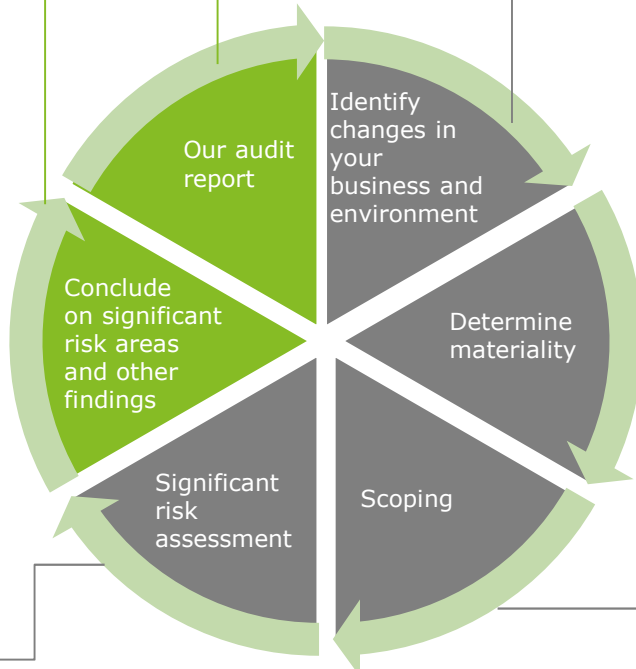
Materiality

Materiality of £789k and performance materiality of £631k has been determined based on the benchmark of gross expenditure and is a slight increase from what we reported in our planning paper due to updated final figures.

We have used these as the basis for our scoping exercise and initial risk assessment. We have reported to you all uncorrected misstatements greater than £39k.

Scope of the audit

We have audited the financial statements for the year ended 31 March 2019 of Shetland Islands Integration Joint Board.



Timeline 2018/19

November 2018 – February 2019

Meetings with management and other staff to update understanding of the processes and controls.

13 March 2019

Presented planning paper to the Audit Committee

31 March 2019

Year end

June-August 2019

Review of draft accounts, testing of significant risk and performance of substantive testing of results.

27 June 2019

Presented interim report to the Audit Committee

15 August 2019

Audit close meeting

26 September 2019

Audit Committee meeting

26 September 2019







Accounts sign-off

Financial statements audit



Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness and accuracy of income			D+I	Satisfactory		Satisfactory	9
Management override of controls			D+I	Satisfactory		Satisfactory	10

Overly prudent, likely to lead to future credit







Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Risk 1 – Completeness and accuracy of income

Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in income recognition, evaluate which types of income, income transactions or assertions give rise to such risks. The main components of income for the IJB are contributions from its funding partners, namely Shetland Islands Council ('SIC') and NHS Shetland ('NHS'). The significant risk is pinpointed to the recognition of this income, being completeness and accuracy of contributions received from the Health Board and the Council.



Key judgements and our challenge of them

Given the year-end deficit projected by the IJB, there is a risk that overspends could result in income being inappropriately accrued to the year prior to their approval, and therefore contributions could differ from the approved budget and income received.

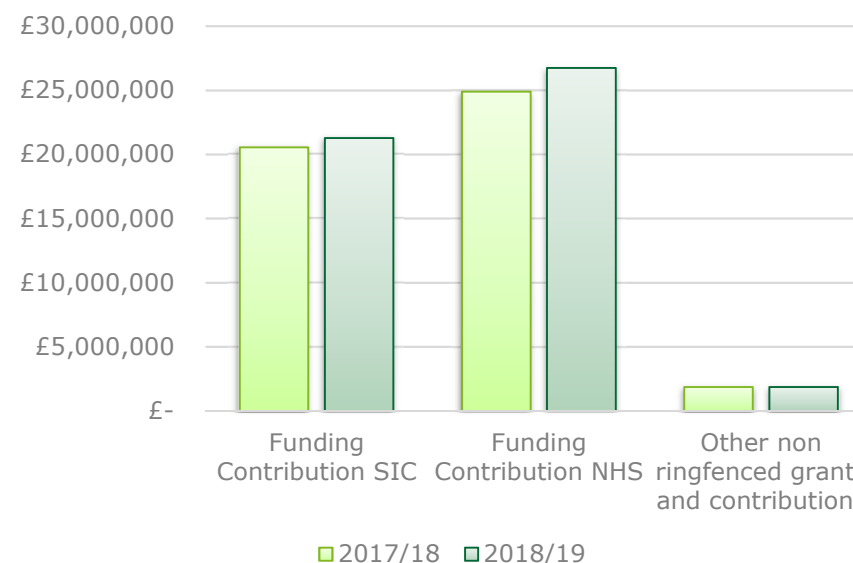


Deloitte response

We have performed the following:

- tested the income to ensure that the correct contributions have been input and received in accordance with that agreed as part of budget process and that any amendments have been appropriately applied;
- tested the reconciliations performed by the IJB at 31 March 2019 to confirm all income is correctly recorded in the ledger;
- confirmed that the reconciliations performed during 2018/19 have been reviewed on a regular basis; and
- assessed management's controls around recognition of income.

Funding Analysis



Deloitte view

We have concluded that income has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

Significant risks (continued)

Risk 2 - Management override of controls

Risk identified

In accordance with ISA 240 (UK) management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.



Key judgements

The key judgment in the financial statements is that which we have selected to be the significant audit risk around the completeness and accuracy of income (page 9). This is inherently the area in which management has the potential to use their judgment to influence the financial statements.



Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- The Board's results throughout the year were projecting overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have performed design and implementation testing of the controls in place for the review of management accounts.

We have used Spotlight data analytics to risk assess journals and select items for detailed follow-up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted.

Accounting estimates

We reviewed the financial statements for accounting estimates which could include biases that could result in material misstatements due to fraud.

We considered any adjustments required for the transition to the new standards (IFRS 15 Revenues from contracts with customers and IFRS 9 Financial Instruments), focusing on the areas of greatest judgement and value.

No issues have been identified from our testing.

Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed.

Other matters

Implementation of IFRS 9 and IFRS 15

Matter identified	The Board is required to adopt the new accounting standards IFRS 9 <i>Financial Instruments</i> and IFRS 15 <i>Revenues from contracts with customers</i> in the year ended 31 March 2019. In both cases, the Board is using a modified retrospective approach to implementation where effectively the cumulative impact of transition to 1 April 2018 is posted as an adjustment to reserves. The Board has posted no retrospective adjustments with regard to IFRS 9 or IFRS 15 as there is no material impact on the financial statements.
Response	<p>Management held discussions with the audit team regarding the accounting impact of the new standards on the Board for the period and determined that the impact is immaterial.</p> <p>The key element impacted by IFRS 9 is the accounting for bad debt provisions, which must move to a methodology of expected credit losses. A practical expedient available for portfolios of debt is to use a matrix based on past experience, and modified in specific cases where more information is available, in order to provide at a suitable percentage.</p> <p>There is a presumption that NHS, local government and central government debts will not require a credit loss provision as these are effectively guaranteed by the State as a last resort.</p> <p>Regarding IFRS 15, a central analysis was prepared for Shetland Islands IJB's main contracts, for which no significant changes are required under IFRS15. We have reviewed and challenged management's assumptions with no issues noted. From this, we agree with management's assessment that there is no material impact from transition to IFRS15.</p>

Deloitte view

We agree with management's position that the new accounting standards do not have a material impact for the Board.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Our opinion on the financial statements is unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

While the IJB is faced with financial sustainability issues (discussed on page 17), there is an underlying assumption that local authority bodies which can only be discontinued under statutory prescription shall prepare their financial statements on a going concern basis.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 13.



Your annual report

We are required to provide an opinion on the auditable parts of the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance.

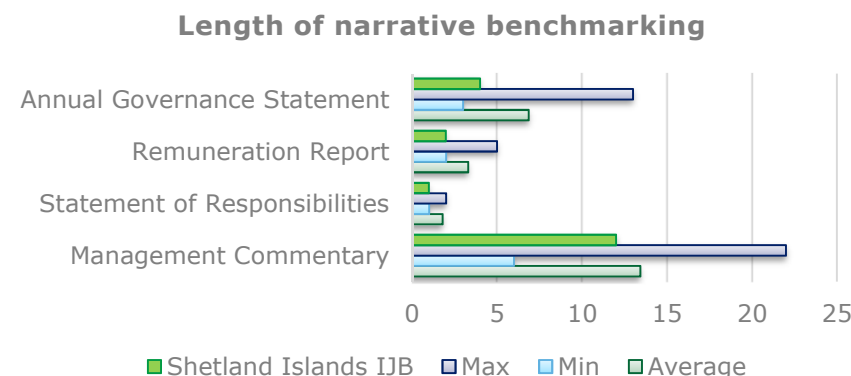
	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and provides a performance review of key targets. The commentary includes both financial and non financial KPIs and should make good use of graphs and diagrams. The Board should also ensure that it focuses on the strategic planning context.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>The good practice note published by Audit Scotland was provided to the IJB for consideration in preparation of the annual accounts and we are pleased to note that the IJB has adopted many areas of good practice in 2018/19.</p> <p>Our review identified a number of areas where the annual accounts needed to be revised in order to comply with statutory guidance and to ensure that they were fair, balanced and understandable. We are pleased to note that these changes have been made.</p>
Remuneration Report	The remuneration report must be prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of the Chief Officer.	We have audited the disclosures of remuneration and pension benefits and confirmed that they have been properly prepared in accordance with the regulations. No exceptions were noted.
Annual Governance Statement	The Annual Governance Statement is required to report that the IJB's governance arrangements provide assurance, are adequate and are operating effectively.	<p>We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction.</p> <p>Our review identified a number of areas of changes to the Annual Governance Statement in order to comply with statutory guidance and to ensure that they were fair, balanced and understandable. We are pleased to note that these changes have been made.</p>

Your annual report (continued)

Good practice note – improving quality of annual accounts

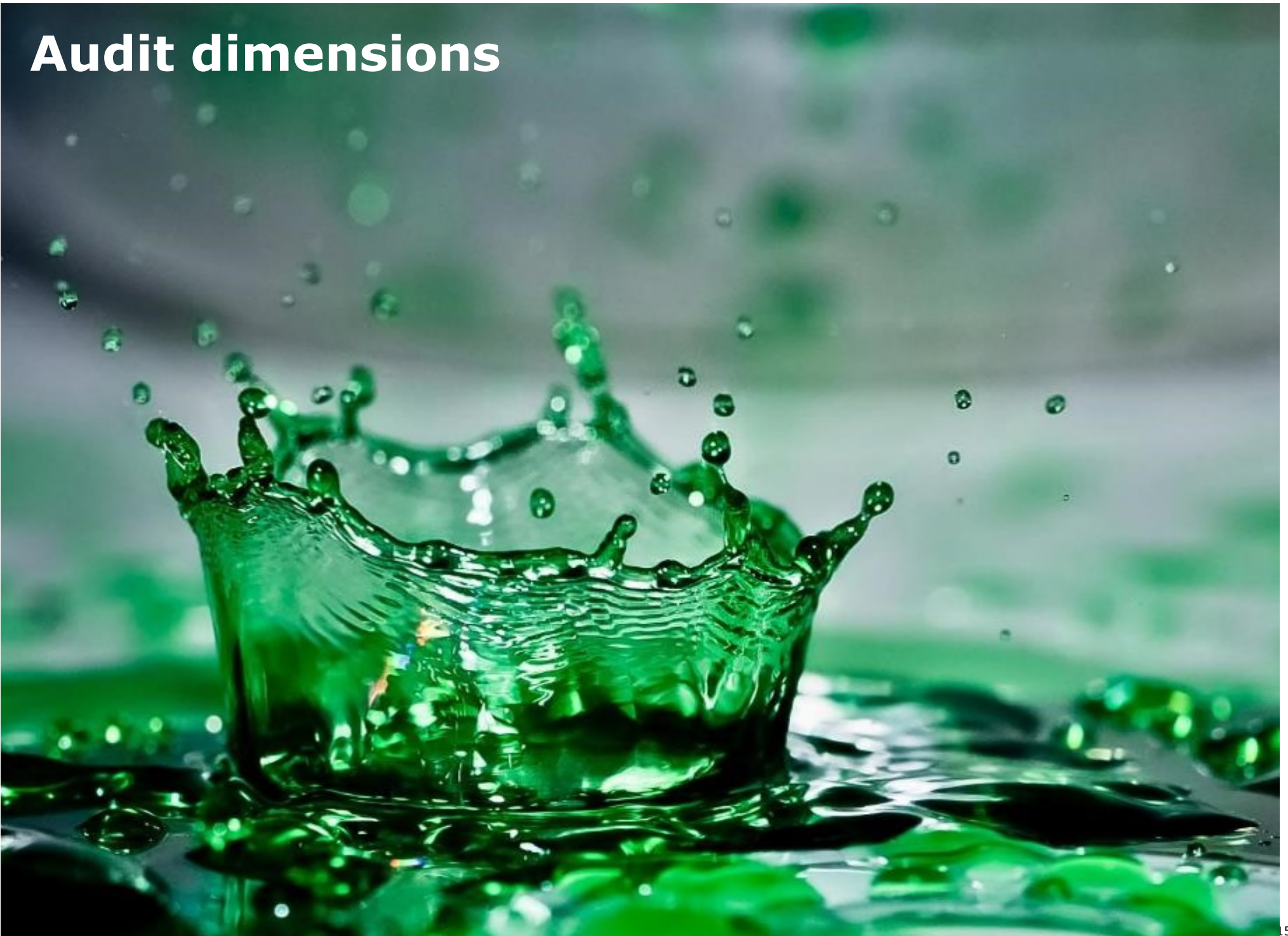
Audit Scotland have issued a series of Good Practice notes to highlight where Annual Reports can be improved. One specifically directed at Integration Joint Boards was published in April 2018. We have highlighted below some of the key messages from this guidance note and are pleased to note that a number of areas have been considered in drafting the 2018/19 annual accounts. A number of areas for further improvement have been communicated to management and we would encourage the Board to ensure these are adopted for the 2019/20 annual accounts.

We have also benchmarked the length of the draft 2018/19 annual accounts against other IJBs. Shetland Islands IJB sits around the average length, however, further improvements could be made in the content as highlighted below.



Key messages		
A single story	<ul style="list-style-type: none"> The narrative in the management commentary and annual governance statement should be consistent with the accounting information in the financial statements. Significant points in the financial statements should be explained in the management commentary. 	G
How funding was used	<ul style="list-style-type: none"> The management commentary should give a clear and balanced account of how funding was used. Explanations of the IJB's business model should be provided. The salient features of the IJB's performance and position should be explained in a balanced way. 	G
What worries board members	<ul style="list-style-type: none"> The risks and uncertainties described in the management commentary should genuinely be the principal risks and uncertainties that the board members are concerned about. The descriptions should be sufficiently specific that users can understand why they are important to the board members. The management commentary and annual governance statement should describe the mitigating actions to manage the impact of the principal risks and uncertainties and significant governance weaknesses. The links to accounting estimates and judgements should be clear. 	A
Consistency	<ul style="list-style-type: none"> Highlighted or adjusted figures, key performance indicators and other measures referred to in the management commentary should be clearly reconciled to the relevant amounts in the financial statements. Any adjustments to the figures in the management commentary should be clearly explained, together with the reasons why they are being made. 	A
Cut the clutter	<ul style="list-style-type: none"> Important messages, policies and transactions should be highlighted and supported with relevant context and not obscured by immaterial detail. Cross-referencing and signposting should be used effectively, and repetition avoided. 	A
Summarise	<ul style="list-style-type: none"> Items should be reported at an appropriate level of aggregation. Tables should be supported by, and consistent with, the accompanying narrative. 	G
Explain change	<ul style="list-style-type: none"> Significant changes from the prior period, whether matters of policy or presentation, should be properly explained. 	G
True and fair	<ul style="list-style-type: none"> The spirit as well as the letter of proper accounting practices should be followed. 	G

Audit dimensions



Audit dimensions

Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our conclusions on our audit work covering the following area, with our detailed findings and conclusions reported to the Committee in June 2019 as part of our [Interim Report](#). Our report is structured in accordance with the **four audit dimensions**, but also covers our specific audit requirements on Best Value and specific risks as summarised below.



Best Value (BV)

It is the duty of the IJB to secure BV as prescribed in the Local Government (Scotland) Act 1973.

We have considered the Board's duty to secure BV as part of the governance arrangements considered as part of the audit dimensions work.

The IJB noted that Best Value is an area in which it is less developed. The IJB needs to identify causal factors, set clear actions for improvement and report on an annual basis on a self-assessment of Best Value to monitor improvements in this area and identify further actions.

Specific risks

As set out in our Annual Audit Plan, Audit Scotland had identified a number of specific risks faced by the public sector which we have considered as part of our work on the four audit dimensions.

- EU Withdrawal
- Changing landscape for public financial management
- Dependency on key suppliers
- Openness and transparency

Our conclusions on the above were reported in our [Interim Report](#) to the Committee in June.

Audit dimensions (continued)

Financial sustainability and financial management

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.

Key facts:

2018/19 financial position

- £3.1m overspend against budget.

2019/20 financial position

- £2.3m savings required
- £1.8m savings identified; £0.5m unidentified

Overall conclusions

The IJB overspent in 2018/19, with this being funded through additional funding from NHS Shetland and Shetland Islands Council. The IJB's MTFP identifies a need to identify £7.5m (14%) of recurring savings by 2023/24, with the recurring annual funding gap set to increase to this from £2.5m (5%) in 2019/20. The IJB needs to identify savings, agree additional funding from the NHS and Council, or agree changes to service delivery which will enable it to reach a financially sustainable position over the medium term.

There is room for improvement in outlining how the anticipated spend over the medium term aligns with the key themes on public service reform (prevention, performance, partnership, people), the Strategic Commissioning Plan and demonstrates a focus on improving outcomes.

The IJB's Strategic Commissioning Plan needs to be improved, quantifying demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP and identifying the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes.

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

Key facts:

2018/19 budget

- Original budgeted expenditure of £44.1m.
- Savings of £0.4m achieved, against budgeted savings of £2.3m
- Overspends reported during the year.
- Regular reporting to senior management and board members

Overall conclusions

The budget should quantify the impact of the current year decisions on the funding gaps identified throughout the period covered by the MTFP, rather than just focusing on the impact in the coming year.

Throughout the year, the IJB was forecasting an overspend against budget. Despite this, the IJB has achieved a surplus position due to additional funding from the Scottish Government and NHS Shetland.

A significant amount of Board meeting time is spent analysing the detail of IJB finances rather than focusing on strategic thinking and priority areas. The IJB should delegate authority to a committee to review and report to the Board on financial performance.

The IJB needs to consider the capacity of the leadership team given the dual role being completed by the Chief Financial Officer, and changes in the Chief Officer role. The IJB should consider the case for a dedicated Chief Financial Officer in Shetland. The IJB also needs to consider if its leadership is appropriately resourced. If it is not, the IJB needs to be clear what is missing that would enable improved outcomes and work with the Council and NHS for these to be provided.

Audit dimensions (continued)

Governance and transparency and value for money

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.

Key facts:

- **Strategic Plan 2019-2022 approved in March 2019**

Overall conclusions

In general, the IJB has a good attitude to openness and transparency. However, it has not taken specific actions in the year to improve its approach to openness and transparency in line with good practice. The IJB should review its approach to openness and transparency in 2019/20, developing an action plan in conjunction with the Board and wider stakeholders, monitoring improvements in openness and transparency on an ongoing basis thereafter.

The IJB should have annual self-assessments of governance arrangements, committee and Board performance. The IJB should develop a self assessment programme to ensure that the IJB has adequate self assessment arrangements in place.

The IJB is required by law to carry out a formal review of its Integration Scheme in 2019/20. Through this review, the IJB needs to ensure that there is agreement of responsibility and accountability arrangements, clearly setting out roles and responsibilities of each of the parties. The IJB should ensure it is an early adopter of the exemplar Directions being developed at a national level.

The IJB needs to adopt a formal, ongoing approach to development. The IJB needs to carry out a skills gap analysis as part of the annual self assessment of committees and the Board, work in conjunction with Members to develop training plans for them (specific to committees/Members' needs), assess the effectiveness of all training provided and track and report attendance at training by the Board.

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

Key facts:

- **The IJB has been performing consistently against its targets: in 2018/19, it achieved 21 targets and missed 15 (2017/18: 20 and 15). Performance has declined from 2017/18 in 51% of cases (improving in 34%).**

Overall conclusions

In line with good practice identified by Audit Scotland, we recommend that the IJB prepare a clear and concise annual Improvement Plan to be reported to the Board. This Improvement Plan should be informed by service self-assessments, stakeholder surveys and national reports.

The IJB has been performing consistently against its targets. However, this information does not enable the IJB to fully understand its performance: while the IJB has performed consistently, this is because it is meeting targets which have not changed. From our review of indicators in 2018/19, we noted that performance has declined from 2017/18 in 51% of cases (improving in 34%).

From the IJB's performance monitoring reports, it is difficult for the Board to fully assess performance, including performance against outcomes, given that performance information provided is lengthy, highly numerical and difficult to follow, with the accompanying report lacking detail. There needs to be a link made between cost and performance, and the IJB should consider the targets it sets on an ongoing basis to ensure they remain realistic whilst also demonstrating a commitment to improvement.

Appendices



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Audit Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations.
- Other insights we have identified from our audit.

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements. We described the scope of our work in our audit plan and again in this report.

This report has been prepared for the Audit Committee and Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny

for and on behalf of Deloitte LLP
Glasgow

3 September 2019

Audit adjustments

Summary of corrected and uncorrected misstatements and disclosure deficiencies

Corrected misstatements

No corrected misstatements have been identified from our audit work performed to date.

Uncorrected misstatements

No uncorrected misstatements have been identified from our audit work performed to date.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. A number of narrative disclosure deficiencies were highlighted and communicated to management, which we are pleased to note have been corrected.

Action plan

Recommendations for improvement

We have not made any recommendations for improvement arising from our financial statements audit. Our interim report submitted to the Committee in June 2019 reported our detailed recommendations arising from our work on the wider audit dimensions. In this report, we made 17 recommendations, as follows:

Wider audit dimension	Recommendations made
Financial sustainability	3
Financial management	3
Governance and transparency	8
Value for money	3

We will follow up these recommendations and report to the Committee on progress as part of our 2019/20 audit.

In our interim report, we followed up on recommendations for improvement made in 2017/18. A summary of progress against 2017/18 actions has been included below. Of the 6 recommendations outstanding, all have an updated recommendation included above. Consequently, there are 17 total recommendations which we will follow up in our 2019/20 audit.

Area	Recommendations made	Recommendations implemented
Financial statements	-	-
Financial sustainability	5	3
Financial management	3	3
Governance and transparency	5	2
Value for money	1	-

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the completeness and accuracy of income and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

Concerns:

No concerns have been identified regarding fraud.



Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.														
Fees	<p>The audit fee for 2018/19, in line with the fee range provided by Audit Scotland, is £25,000 as broken down below:</p> <table><tr><td></td><td>£</td></tr><tr><td>Auditor remuneration</td><td>17,200</td></tr><tr><td>Audit Scotland fixed charges:</td><td></td></tr><tr><td> Pooled costs</td><td>1,670</td></tr><tr><td> Contribution to PABV</td><td>5,050</td></tr><tr><td> Audit support costs</td><td>1,080</td></tr><tr><td>Total agreed fee</td><td>25,000</td></tr></table> <p>No non-audit fees have been charged by Deloitte in the period.</p>		£	Auditor remuneration	17,200	Audit Scotland fixed charges:		Pooled costs	1,670	Contribution to PABV	5,050	Audit support costs	1,080	Total agreed fee	25,000
	£														
Auditor remuneration	17,200														
Audit Scotland fixed charges:															
Pooled costs	1,670														
Contribution to PABV	5,050														
Audit support costs	1,080														
Total agreed fee	25,000														
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.														
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>														





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Meeting(s):	IJB Audit Committee Integrated Joint Board	26 September 2019 26 September 2019
Report Title:	Final Audited Accounts 2018/19	
Reference Number:	CC-37-19	
Author / Job Title:	Karl Williamson – Chief Financial Officer	

1.0 Decisions / Action required:

1.1 The IJB Audit Committee RESOLVE to:

- a) CONSIDER the audited Annual Accounts for 2018/19 (Appendix 1);
- b) NOTE the Management Representation Letter (Appendix 2); and

1.2 The IJB RESOLVE to:

- a) APPROVE the audited Annual Accounts for 2018/19 for signature (Appendix 1);
- b) NOTE the Management Representation Letter for signature (Appendix 2).

2.0 High Level Summary:

2.1 IJBs are specified in legislation as ‘Section 106’ bodies under the terms of the Local Government (Scotland) Act 1973, so are expected to prepare their financial statements in compliance with the Code of Practice on Local Government Accounting in the United Kingdom.

2.2 Local Authority Accounts (Scotland) Legislation 2014 requires that IJB Members consider the audited annual accounts and approve them for signature by 30 September 2019 and publish them no later than 31 October 2019.

3.0 Corporate Priorities and Joint Working:

3.1 The IJB is a separate legal entity, accountable for the stewardship of public funds and expected to operate under public sector best practice governance arrangements, proportionate to its transactions and responsibilities. The preparation and presentation of the accounts is a key element of the IJB’s overall governance and reporting arrangements.

4.0 Key Issues:

4.1 The Audited Accounts are provided as Appendix 1. They include the following key points for Members’ consideration:

- The Management Commentary (page 2 – 12) provides details to help all users of the Accounts understand the most significant aspects of the

IJB's financial performance for the year to 31 March 2019 and its financial position as at 31 March 2019;

- The Annual Governance Statement (page 13 to 16) explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control;
- The Independent Auditors' Report (page 20 to 22) provides Deloitte's opinion on the audit of the Annual Accounts. In their opinion the financial statements give a true and fair view in accordance with applicable law and have been prepared in accordance with accounting regulations and guidance.
- The IJB made an accounting surplus of £0.541m in 2018/19, which will be carried forward in the IJB Reserve;
- The IJB General Reserve balance as at 31 March 2019 is £0.905m.

5.0 Exempt and/or confidential information:

5.1 None.

6.0 Implications :

6.1 Service Users, Patients and Communities:	None
6.2 Human Resources and Organisational Development:	None
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	The Local Authority Accounts (Scotland) Regulations 2014 require IJB Members to consider the audited Annual Accounts and approve them for signature not later than 30 th September immediately following the financial year to which the accounts relate.
6.5 Finance:	There are no financial implications arising from this report.
6.6 Assets and Property:	None
6.7 ICT and new technologies:	None

6.8 Environmental:	None	
6.9 Risk Management:	There is no significant issues in relation to the audited Annual Accounts. Deloitte's Annual Report on the 2018/19 audit is presented as a separate item on the agenda.	
6.10 Policy and Delegated Authority:	<p>Shetland's Integration Joint Board (IJB) was formally constituted on 27 June 2015 and operates in accordance with the approved Integration Scheme, Scheme of Administration, and the Financial Regulations.</p> <p>Regulations require that IJB Members consider the audited annual accounts and approve them for signature by 30 September 2019 and publish them no later than 31 October 2019.</p>	
6.11 Previously considered by:	<i>n/a</i>	<i>n/a</i>

Contact Details:

Karl Williamson, Chief Financial Officer, karlwilliamson@nhs.net, 02 September 2019

Appendices:

Appendix 1 – Shetland Health and Social Care Partnership Audited Annual Accounts 2018/19

Appendix 2 – Management Representation Letter

Background Documents: The Local Authority Accounts (Scotland) Regulations 2014

Annual Accounts **2018/19**



NHS
Shetland



Shetland Islands
Integration Joint Board

Contents

Introduction	1
Management Commentary.....	2
Annual Governance Statement	13
Remuneration Report.....	17
Statement of Responsibilities for the Annual Accounts	19
Independent auditor's report to the Members of Shetland Islands Integration Joint Board and the Accounts Commission	20
Comprehensive Income and Expenditure Statement	23
Movement in Reserves Statement	24
Balance Sheet	25
Notes to the Primary Financial Statements	26
Note 1: Accounting Standards issued Not Adopted.....	26
Note 2: Accounting Standards Adopted In The Year	26
Note 3: Critical Judgements and Estimation Uncertainty	26
Note 4: Events After the Reporting Period	26
Note 5: Taxation and Non-Specific Grant Income	26
Note 6: Other Current Assets.....	26
Note 7: Usable Reserve: General Fund	27
Note 8: Related Party Transactions	27
Note 9: Post Balance Sheet Event	27
Note 10: Summary of Significant Accounting Policies	27

Introduction

The Shetland Islands Health and Social Care Partnership (Integration Joint Board) is a Body Corporate, established by Parliamentary Order under section 9 of the Public Bodies (Joint Working) (Scotland) Act 2014, on 27 June 2015.

The Parties:

Shetland Islands Council (“the Council” or “SIC”), established under the Local Government etc. (Scotland) Act 1994.

Shetland Health Board (“the Health Board” or “NHS Shetland” or “NHSS”), established under section 2(1) of the National Health Service (Scotland) Act 1978 (operating as Shetland NHS Board).

The Parties agreed the Integration Scheme of Shetland Islands Health and Social Care Partnership, which sets out the delegation of functions by the Parties to the Integration Joint Board. The Integration Scheme is due to be formally reviewed prior to 31 March 2020.

The Shetland Health and Social Care Partnership Members for 2018/19, and up to date of signing these accounts, were as follows:

Voting Members:

- Mr A Duncan (Vice Chairperson – SIC)
- Ms N Cornick (Chairperson – NHSS) – appointed as Chairperson 13 March 2019
- Ms J Haswell (NHSS) – appointed 13 March 2019
- Ms S Manson (NHSS)
- Mr R McGregor (SIC)
- Ms E MacDonald (SIC)
- Mrs M Williamson (Chairperson - NHSS) – resigned 13 March 2019

Non-Voting Members:

- Mr S Bokor-Ingram (Chief Officer) – Resigned 13 May 2019
- Dr S Bowie (GP Representative) –Resigned 17 October 2018
- Ms M Gemmill (Patient / Service User Representative) – Resigned 30 August 2019
- Ms S Gens (Staff Representative)
- Mr J Guyan (Carers’ Representative)
- Mrs C Hughson (Third Sector Representative)
- Mrs M Nicolson (Chief Social Work Officer)
- Ms J Robinson (Interim Chief Officer) – Appointed 13 May 2019
- Mr I Sandilands (Staff Representative)
- Mrs E Watson (Lead Nurse for the Community)
- Mr K Williamson (Chief Financial Officer)
- Dr P Wilson (Senior Consultant: Local Acute Sector) – Appointed 5 September 2018
- Vacant (GP Representative)
- Vacant (Patient / Service User Representative)

Post Year End Changes to Voting Membership

Since 1 April 2019 there have been no further changes to membership.

Management Commentary

The purpose of the Management Commentary is to inform all users of these Accounts and help them to understand the most significant aspects of Shetland Islands Health and Social Care Partnership's financial performance for the year to 31 March 2019 ("period", "year") and its financial position as at 31 March 2019.

The Management Commentary has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/20) and the statutory guidance in Finance Circular 5/2015 which is based on Companies Act legislation and Financial Reporting Council guidance.

Background

The Public Bodies (Joint Working) (Scotland) Act was granted royal assent on 1 April 2014. SIC and NHSS, took the decision that the model of integration of health and social care services in Shetland would be the Body Corporate, known as an Integrated Joint Board (IJB).

Under the Body Corporate model, NHSS and SIC delegate the responsibility for planning and resourcing service provision of adult health and social care services to the IJB.

As a separate legal entity, the IJB has full autonomy and capacity to act on its own behalf and can make decisions about the exercise of its functions and responsibilities within its allocated funding, as it sees fit.

The IJB is responsible for the strategic planning of the functions delegated to it by SIC and NHSS and for the preparation of the Strategic Commissioning Plan. The SIC delegate responsibility for all adult social care services to the IJB. NHSS delegate responsibility for all community based health services plus an element of acute services relating to unscheduled care. The Strategic Commissioning Plan specifies the services to be delivered by the Parties. The IJB is also responsible for ensuring the delivery of its functions through the locally agreed operational arrangements set out within its Integration Scheme, which can be found at; http://www.shetland.gov.uk/Health_Social_Care_Integration/documents/SHSCPartnershipIntegrationScheme15May2015_000.pdf

The practical application of the Integration Scheme is managed and administered in accordance with the Financial Regulations, Standing Orders and Scheme of Administration of the Parties, as amended to meet the requirements of the Act.

Purpose and Objectives

Integration of health and social care is the Scottish Government's ambitious programme of reform to improve services for people who use health and social care services. Integration will ensure that health and social care provision across Scotland is joined-up and seamless, especially for people with long-term conditions and disabilities, many of whom are older people. The Integration Scheme is intended to achieve the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under section 5(1) of the Act; as follows:

National Health and Wellbeing Outcomes

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

information, support, care and treatment they provide.

9. Resources are used effectively and efficiently in the provision of health and social care.

The Scottish Government 2020 Vision is that, “By 2020, everybody is able to live longer, healthier lives, at home or in a homely setting”.

Shetland’s Partnership Plan

The Shetland Partnership is a wide range of partners and community bodies who collectively make up the Community Planning Partnership (CPP) for Shetland. A CPP should have a clear and ambitious vision for its local area.

The Partnership and the key partners within it, including the IJB, SIC & NHSS, have a statutory duty to produce Shetland’s Partnership Plan and ensure it is delivered and resourced.

Extracts from Shetland’s Partnership Plan 2018-2028:

Our shared vision

“Shetland is a place where everyone is able to thrive; living well in strong, resilient communities; and where people and communities are able to help plan and deliver solutions to future challenges”

Our shared priorities



The IJB approved Shetland’s Partnership Plan 2018-2028 – the Local Outcomes Improvement Plan (LOIP) on 20 June 2018, agreeing to prioritise resources in the annual budgeting process to improve local outcomes.

The focus for the IJB with regard to delivery of the LOIP outcomes will be ‘People’ and ‘Participation’ with specific focus on:

- Tackling alcohol misuse
- Healthy weight and physical activity
- Low income/poverty
- Satisfaction with public services
- People’s ability to influence and be involved in decisions which affect them

The IJB, SIC and NHSS have jointly developed the Performance Management Framework 2019-24 (PMF). The PMF was approved for implementation by the 3 bodies at meetings in June/July 2019. The intention of the PMF is to provide a consistent “Once for Shetland” approach and a clear focus on improving outcomes. This is in line with the principles of Shetland’s Partnership Plan.

The implementation of the PMF will allow the IJB to monitor and report on improvement against the LOIP outcomes as part of its overall performance reporting.

Strategic Commissioning Plan

The IJB put the preparation of its Strategic Commissioning Plan on hold during 2018/19, while NHS Shetland facilitated a ‘Scenario Planning’ exercise to understand more fully the issues the Board faced and look at ways to address these. This identified some key themes that are likely to impact on health and social care services in the future:

- Demand
- Prevention
- Economics
- Workforce
- Integration
- Technology

During 2018/19, the IJB continued to work towards the vision and objectives in its Strategic Commissioning Plan 2017-2020.

The IJB approved its Strategic Commissioning Plan 2019-2022 on 13 March 2019 (<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=23847>).

Our Vision is that by 2020 everyone in Shetland is able to live longer healthier lives, at home or in a homely setting. We will have an integrated health and care system focused on prevention, supported self management and reducing health inequalities. We will focus on supporting people to be at home or in their community with as much specialist care provided in Shetland and as close to home as possible. Care will be provided to the highest standards of quality and safety, with the person at the centre of all decisions.

The Strategic Commissioning Plan 2019-2022 now sets out an ambitious plan for health and social care services in the future, with aspirations for seamless services, wrapped around the needs of individuals, their families and communities.

The Plan sets out the IJB's priorities for the next 3 years taking into account all the national, regional and local drivers for change. The IJB intends to work to manage the various demand and issues it faces and continue to evolve its services models to:

Develop a single health and care system - We will have in place seamless services, wrapped around the needs of individuals, their families and communities, which are not restricted by organisational or professional boundaries. Where possible we aim to deliver a 'one stop shop' approach to health and care.

Maximise population health and wellbeing – people will be supported to look after and improve their own health and well-being, helping them to prevent ill health and live in good health for longer

Develop a unified primary care service with multi-disciplinary teams working together to respond to the needs of local populations

Streamline the patient's journey in hospital – we will work to make sure that people get the right care in the right place at the right time by maximising outpatient, ambulatory, day care services and minimising in-patient stays

Achieve a sustainable financial position by 2023

Performance Overview

On 23 January 2019, the IJB approved some specific targets and objectives to make sure that health and social care services in Shetland provide the best possible outcomes for the community within available resources. The measures used are the same as those used by the Scottish Government to check that the system is working as a whole and focus on some key aspects which are important to patients, service users and unpaid carers. The indicators cover:

- Number of emergency admissions;
- Admissions from Accident and Emergency;
- Number of unscheduled hospital bed days - acute specialities;
- Number of unscheduled hospital bed days - long stay specialities;
- Accident and Emergency Attendances;
- Percentage of attendances at Accident and Emergency seen within 4 hours;
- Delayed discharge bed days;
- Percentage of last six month of life by setting;
- Number of days by setting during the last six month of life; and
- Balance of care: Percentage of population in community or institutional settings.

Shetland performs well in most of these indicators. The IJB reviews its overall performance using a wide range of performance indicators on a quarterly basis. An example of this can be seen in the report presented on 23 January, "Quarterly Performance Overview Report, Quarter 2: July – September 2018" which sought approval of the targets and objectives above and set out improvement plans for the coming year (<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=23528>).

The principal change projects that the IJB aim to deliver to maintain or improve its overall performance include:

- working with individuals to help them to look after their own health and care needs;
- modernising primary care;
- repatriation of care back to Shetland where it is safe to do so;

- reviewing our approach to unscheduled, or emergency care;
- managing long term conditions, such as diabetes, respiratory disease and stroke; and
- working with people to maintain or increase independence and quality of life.

The IJB approved its Annual Performance Report 2018/19 (APR) on 27 June 2019. This report enabled the IJB and its stakeholders to review performance during 2018/19 and reflect on what worked well and not so well.

In addition to providing an overview of the IJB's performance during the year, the APR also considered the views of service users and the staff delivering services, and reflected on external feedback through audits and inspections. It can be difficult to demonstrate the intended impact of the Strategic Commissioning Plan purely through performance indicators. The IJB therefore needs this broad overview in considering whether intended outcomes have been met, or at likely to be met in the future.

The APR outlined the findings of a recent evaluation exercise requested by the Scottish Government looking at key areas considered necessary to make an IJB work successfully. While some of the factors were considered to be embedded in the IJB, there is still work to be done. The APR recognised that the IJB's approach to participation and engagement could be improved to build better working relationships with carers, service users and the local community generally.

The APR highlighted that the IJB continues to perform well and deliver a high level of service, securing good results across many of the National Health and Wellbeing Outcomes (detailed on page 2) in the year. Delivery costs are also often high, however, which is reflected in the financial challenges facing the IJB and can limit service users' choice and flexibility in meeting their particular demand.

The full APR can be found at <http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=24180>.

Operational Review

In 2018/19 the IJB set out to put in place arrangements to improve services through a

range of initiatives and activities, building on work from previous years.

Our achievements during 2018/19 include:

1. The Adult Mental Health redesign project has been progressed, with a focus on creating multi-disciplinary teams and appropriate referrals and care pathways;
2. The Social Care programme of work reinforced our approach to 'care at home' being the principle objective of how we care for our service users, with several 'tests of change' being developed around prevention and 24 hour care support. Innovative approaches to workforce recruitment and retention is supporting this work;
3. Development of our approach to implementing the Primary Care Improvement Plan, to support how we organise ourselves to ensure that our service users get seen by the right person, in the right place to address their health and social care needs;
4. A reinvigorated approach to Self Directed Support, with a significant investment in training and coaching to support our staff to have good conversations around choice and flexibility of services, and to help them find ways to meet that need through innovative approaches and 'tests of change';
5. The Intermediate Care Team is now firmly embedded to support reablement and we invested in the Otago Falls Prevention programme to help avoid people injuring themselves and requiring treatment;
6. The community pharmacy work has been developed to provide support to people to manage their own medicines in community settings and provide services within care homes to ensure residents are receiving medicines safely and that waste is avoided;
7. A community co-production project has been undertaken with the support of the Scottish Health Council on the island of Bressay to explore and implement solutions to providing health and social care services to a community with no resident health staff;
8. Rolling out training on an asset based approach to a wide range of stakeholders - including to people outwith the health and social care sectors;

9. The Domestic Abuse and Sexual Violence Strategy was refreshed and endorsed by the IJB, NHSS and SIC with a strong platform of development work to tackle the root causes, as well as addressing acute and ongoing support needs for people affected by abuse;
10. The IJB strengthened its approach to financial planning with the establishment of a Medium Term Financial Plan 2018-2023 (MTFP).

Managing performance is part of the 'commissioning cycle' which seeks to provide good evidence to ensure that services are prioritised, designed and delivered to meet need.

The overall purpose of recording and reporting on performance is to use that evidence to deliver good quality services, and to improve how we do things.

The Public Bodies (Joint Working) (Scotland) Act 2014 requires Integration Authorities to report against the National Health and Wellbeing Outcomes (detailed on page 2-3), which draw on a mix of qualitative and quantitative measures. The qualitative measures come from the annual Care Experience and Staff survey administered by the Scottish Government. In terms of system measures, Shetland has performed well against the national benchmarks, as show below.

National Outcome Indicators	Shetland Performance	Comparison to Scotland Average	Scotland Average Performance
Premature mortality rate (per 100,000)	323	better than	425
Rate of emergency admissions for adults (per 100,000)	10,350	better than	12,183
Rate of emergency bed days for adults (per 100,000)	65,137	better than	123,035
Readmissions to hospital within 28 days of discharge (per 1,000)	69	better than	102
Proportion of last 6 months of life spent at home or in a community setting	94.20%	better than	89.20%
Falls rate per 1,000 population in over 65s	18	better than	22
Proportion of care services graded 'good' (4) or better in Care Inspectorate Inspections	97%	N/A	Not Known
Number of days people (75+) spend in hospital when they are ready to be discharged (rate per 1,000)	505	better than	762
Percentage of total health and care spend on hospital stays where the patient was admitted in an emergency	14%	better than	25%

The above indicators relate to 2017/18. These statistics are made available on a biennial basis, so comparatives have not been provided.

The financial performance of the IJB is explained in detail below in the Financial Review section. During the year the Board had a Recovery Plan in place to monitor efficiency savings required.

Financial Performance Indicator	2018/19	2017/18
Percentage of Recovery Plan savings target achieved in year	19%	37%
Percentage of recurrent savings achieved against Recovery Plan savings target in year	11%	30%

Financial Statements

The Financial Statements detail the IJB's transactions for the year and its year-end position as at 31 March 2019. The Financial Statements are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of the primary statements has been included immediately prior to each of the financial statements: The Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Balance Sheet. These Statements are accompanied by Notes to the Accounts which set out the Accounting Policies adopted by the Partnership and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

No Cashflow Statement is required as the IJB does not operate a bank account or hold cash.

The primary financial statements and notes to the accounts, including the accounting policies, form the relevant financial statements for the purpose of the auditor's certificate and opinion. The remuneration of the Chief Officer of the Partnership is disclosed in the Remuneration Report.

Financial Review

At its meeting on 22 February 2018 the IJB noted its 2018/19 indicative budget of £44.099m (2017/18: £43.202m). Subsequently budget revisions have been made during the year for additional funding allocations and application of contingency and cost pressure budgets with the total budget delegated from the IJB to the Parties for 2018/19 being £46.226m (2017/18: £44.222m).

The purpose of the Financial Statements is to present a public statement on the stewardship of funds for the benefit of both Members of the IJB and the public. The IJB is funded by SIC and NHSS in line with the Integration Scheme.

The Comprehensive Income and Expenditure Statement presents the full economic cost of providing the Board's service in 2018/19.

For the year-ended 31 March 2019, the IJB generated a surplus of £0.541m (2017/18: £0.239m), after adjustment has been made for additional contributions made by SIC and NHSS.

The surplus of £0.541m represents the underspend of Scottish Government Additionality Funding and other specific funding allocations during the year. This funding will be carried forward and the IJB can then make decisions on how best it can be utilised to further its objectives, in line with its Strategic Commissioning Plan.

The outturn position at 31 March 2019 for the IJB is an overall deficit against budget of £3.116m (2017/18: £2.392m), which represents an overspend in relation to services commissioned from SIC of £0.157m (2017/18: underspend £0.446m) and an overspend in relation to services commissioned from NHSS of £2.959m (2017/18: overspend £2.838m). The £3.116m deficit (which includes 'set aside budget') is detailed in Row 3 in the following table.

The SIC and NHSS made one-off additional contributions of £0.144m and £3.513m in order to achieve the final IJB surplus for the year of £0.541m. The contributions will not be repayable to the Parties in future years.

Financial Transactions 2018/19

		2018/19			2017/18		
		SIC £000	NHSS £000	TOTAL £000	SIC £000	NHSS £000	TOTAL £000
1	Budgets delegated to the Parties from the IJB	22,396	23,830	46,226	22,154	22,068	44,222
2	Contribution from the Parties to the IJB (against delegated budgets)	(22,553)	(26,789)	(49,342)	(21,708)	(24,906)	(46,614)
3	Surplus/(Deficit)	(157)	(2,959)	(3,116)	446	(2,838)	(2,392)
4	Additional contributions from Parties to meet IJB Direct Costs	(15)	(14)	(29)	(14)	(14)	(28)
5	IJB Direct Costs (Audit fee, Insurance & Members Expenses)	15	14	29	14	14	28
6	Additional contributions (to)/from SIC and NHS to IJB	144	3,513	3,657	(310)	2,941	2,631
7	Final Surplus/(Deficit) of IJB	(13)	554	541	136	103	239

Significant Budget Variances

The table below (page 10), provides the details of the significant budget variances for the year which contributed to the overall £3.116m overspend. There are a number of factors which contributed towards the year-end position.

Locum Costs

Difficulty was experienced in recruiting to specialist posts in the year, necessitating the use of locums to continue delivering services, notably in Mental Health, Primary Care and Unscheduled Care

A Mental Health

The main reason for the budget variance in Mental Health was the cost (including flights and accommodation) of a Consultant Mental Health locum (£0.652m) (2017/18: (£0.312m)). It was possible to partially offset this cost due an underspend against NHS Grampian Mental Health SLA, £0.146m due to reduced activity.

Unfortunately, an international recruitment drive early in 2019/20 has been unsuccessful, but efforts continue to find ways to reduce the requirement for expensive locums within the Mental Health service.

B Primary Care

The underspend in Primary Care belies overspending on locum cover for General Practitioners during the year in Health Centres where it was not possible to fill vacant posts, with notable overspend against budgets at, Yell (£0.127m) (2017/18: (£0.145m), Whalsay (£0.080m) (2017/18: (£0.092m), Unst (£0.093m) (2017/18: (£0.103m) and Brae (£0.128m) (2017/18: (£0.044m). There was also a further overspend as a result of in-year cost pressure following the TUPE transfer of staff at the Scalloway Practice (£0.160m) (2017/18: £0.190m), combined with (£0.070m) locum cost.

The overspending above has been off-set by £1.2m additional primary care, island harmonisation funding received from the Scottish Government in January 2019.

NHS Shetland are engaged in a partnership project with their counterparts in Orkney, Western Isles and Highland to encourage GPs at any point in their career to work in remote areas of Scotland for fixed periods of time. Phase 1 of the project has been successful in recruiting 28 GPs who will work across the Boards. NHS Shetland are current in negotiation around Phase 2 Scotland wide and Phase 3 International.

C Unscheduled Care

The majority of the budget variance in Unscheduled Care during the year was also due

to locum costs. Cover was required for two vacant medical consultant posts during the year (£0.732m) (2017/18: (£0.394m)) and there was further overspend in Community Nursing due to some nursing bank usage and the cover for an Allied Health Practitioner being provided by a GP locum from May to July 2018, including travel costs.

Good progress was made in filling junior doctor vacancies during 2018/19 and developing junior doctor opportunities in remote and rural settings through the Clinical Development Fellowship programme.

Recruitment to consultant and junior doctor posts actively continues, working closely with the Deanery, Universities and NHS Education for Scotland to look at ways in which training can be developed to support remote and rural practice and encourage doctors to take up posts in Shetland.

Agency Staffing Costs

Difficulty has been experienced in recent years in recruiting and retaining social care staff. Staff sickness, notably several cases of long-term sickness have also impacted in the year. In order to continue to safely deliver residential care services, it has therefore been necessary to use agency staff, leading to an overspend of (£0.534m) (2017/18: (£0.198m)) in Community Care Resources.

In previous years, it has been possible to largely offset agency costs against underspend in employee cost budgets, but employee cost budgets in Community Care Resources were all almost on budget in 2018/19. Underspend due to vacant posts and temporary reduction of bed capacity, was offset by relief cover costs, combined with increased rotas in the early months of the year within two care homes as a result of specific care packages.

Recruitment and retention of staff continues to be difficult, however the Modern Apprenticeship programme has encouraged people to take up social care work and the SIC also supports the vocational programme in social care run by the Anderson High School which aims to encourage school pupils to take up social care roles.

The shared priorities of the LOIP include attracting people to live and work in Shetland,

recognising that the population of Shetland is ageing at a faster rate than the rest of Scotland. It is hoped that a trial recruitment exercise will take place early in 2019/20, initially looking to recruit six social care workers from out with Shetland through the offer of relocation packages.

There are a number of "Test of Change" projects being explored within Community Care Resources with a view to looking at how staffing resources can be used more effectively and different models of care developed. These projects will require additional funding, so work continues to build up information necessary to apply to the SIC's Spend To Save Fund. It is hoped that these pilot projects can be started in 2019/20.

The use of Agency staff has continued into 2019/20, to ensure the safe delivery of care services, but it is hoped this can be reduced or ceased through the actions above.

Overachievement of Charging Income

There was an overachievement of Board and Accommodation income in the year, £0.504m (2017/18: (£0.069m)), within Community Care Resources. Charging income can vary significantly dependent on the financial circumstances of those receiving care and allowance was made in the year for the anticipated level of waived charges as a result of legislation, such as the Carers Act, expected in the year.

Scottish Government Additionality Funding

The IJB recognises an underspend in this funding of £0.080m, a small underspend in Reablement Programme in Care Homes, £0.002m, and underspend in employee costs due to vacant posts within the Intermediate Care Team during the year, £0.078m.

NHSS Specific Funding

At the year-end, NHSS identified a number of specific funding allocations it had not been possible to spend in full during the year. These allocations were only confirmed late in 2018/19 and amounted to £0.474m overall.

Until NHSS funding allocations are confirmed, they are held in General NHSS Contingency, so during the year were not reflected in IJB delegated budget. NHSS made an additional funding allocation to the IJB at the year-end of £3.513m (see table on page 7), which included the transfer of these specific funding allocations.

The IJB will carry-forward these sums in the IJB Reserve as an Earmarked element against the projects listed below:

- Additional Alcohol and Drugs Partnership Funding - £0.127m;
- Rediscover the job in GP – reflect and rejuvenate - £0.171m;
- Screening inequalities – Year 1 Funding - £0.028m;
- Primary Care Funding: Dispensing Practices per GP Contract - £0.029m;
- Section 28 -£0.011m;
- Attend Anywhere - £0.020m;
- Action 15 - £0.039m;
- Primary Care Improvement Fund - £0.011m;

- GP Sub Committee - £0.037m.

Efficiency Target

An efficiency savings target of £2.276m was identified within the 2018/19 IJB Budget, necessitating a Recovery Plan to be implemented during the year. As at 31 March 2019, there was an underachievement of £1.850m (2017/18: £1.605m) against the Recovery Plan.

Of the £0.426m savings achieved, £0.247m represented recurring savings and £0.179m were non-recurrent.

NHSS have rolled forward their unachieved savings from 2018/19 and combined this with their 2019/20 savings target.

Significant Budget Variance Table

Service Heading	2018/19			2017/18		
	Revised Budget £000	Budget Variance £000	Budget Variance %	Revised Budget £000	Budget Variance £000	Budget Variance %
Mental Health	2,071	(463)	(22.4%)	2,090	(173)	(8.3%)
Primary Care	5,676	139	2.4%	4,497	(821)	(18.3%)
Community Nursing	2,862	(172)	(6.0%)	2,669	(41)	(1.5%)
Community Care Resources	11,350	(398)	(3.5%)	10,972	(305)	(2.8%)
Unscheduled Care	2,964	(823)	(27.8%)	2,976	(558)	(18.8%)
Scottish Government Additionality Funding	592	80	13.5%	622	239	38.4%
Other Services	22,561	371	1.6%	22,451	872	3.9%
Efficiency Target	(1,850)	(1,850)	100.0%	(2,055)	(1,605)	78.1%
Total	46,226	(3,116)		44,222	(2,392)	

The Balance Sheet as at 31 March 2019

The IJB carried a General Reserve of £0.364m as at 1 April 2018. This reserve was created from underspending in the Scottish Government Additionality Funding in previous years.

It was agreed in 2018/19, that the Reserve would be used to fund a £0.051m investment in the Falls Prevention Programme, over 3 years, this represents a reduction to the Reserve of £0.013m, in respect of actual cost incurred on Falls Prevention Programme in the year.

Further underspending in the Scottish Additionality Funding and other specific NHSS

funding allocations in 2018/19 of £0.554m have been added to the Reserve, leaving a closing General Reserve balance as at 31 March 2019 of £0.905m.

2019/20 Budget and Medium Term Financial Outlook

The IJB Board approved the proposed budget for 2019/20 of £45.649m, on 13 March 2019, subject to assurance that contingency budgets of £0.386m and £0.8m had been set aside by SIC and NHSS, respectively, and that savings proposals to address the identified funding gap of £2.533m can be achieved in year.

The IJB were advised at their meeting on 14 May that the overall funding gap has reduced to £2.331m against the 2019/20 delegated budgets after taking account of 2018/19 efficiency savings made. Proposals have been made where management believe recurring savings can be achieved in year of £1.806m, with a remaining gap of £0.525m which will be closed by additional non-recurrent actions.

General Reserve is also available to support the strategic objectives of the IJB, as detailed in Note 7 to the Accounts (page 27). Proposals to utilise £0.110m of the General Reserve were agreed by the IJB on 14 May 2019. It is hoped that the projects will assist in achieving the efficiency saving required in 2019/20. The funds will be used for the following projects;

Project	Objective	Link to National Outcome	Cost
Stress Control	Greater community resilience	1	£25,000 (over 3 years)
Alternative to residential care accommodation	Greater choice and control for individual	2	£12,172 (delivered over 3 years)
MSK Physiotherapy	Faster access to the most appropriate professional	9	£51,000 (2019/20 only)
Community Nursing Continence Service	Better quality and more efficient service	4	£8,750 (2019/20 only)
Community Led Support Programme	Greater choice and control for individual	2	£13,230 (2019/20 only)
Total agreed use of General Reserve			£110,152

A Financial Recovery Plan will continue to be required in 2019/20 to address the efficiency savings required and regular updates on the Recovery Plan will be presented as part of the quarterly financial monitoring reports prepared by the Chief Financial Officer for the Board.

The Shetland IJB, like many others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increasing demand for services. Additional funding for Health and Social Care Partnerships was made available from the Scottish Government. Despite this additional funding, pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted in future years.

The IJB approved its MTFP 2019/20 to 2023/24 on 13 March 2019. Based on the current planning assumptions the Plan identifies a likely funding shortfall over the next five year of £7.7m if no action is taken to mitigate the impact of rising costs and reducing funding. The role of the IJB in planning and directing services will be key to addressing this estimated shortfall.

Principal Risks and Uncertainties

The key risks and uncertainties for the IJB during 2018/19 continue into 2019/20.

Risks and Uncertainties	Actions to Mitigate
Continued staffing vacancies across IJB services, with difficulty in recruiting to both health and social care roles, resulting in significant expenditure on locum costs.	Explained above under "Significant Budget Variances" (page 8 & 9).
Failure to deliver recurring efficiency savings through service redesign proposals leaving a funding gap for the IJB.	The IJB has a Recovery Plan in place for 2019/20 which will be monitored closing by the IJB Members to ensure efficiency savings are delivered.
The continued need to make efficiency savings hindering the future development of services. The IJB will need to manage immediate cost pressures and any planned investment in services within available budgets.	Work continues to align the Strategic Commissioning Plan to the MTFP. The General Reserve is also available to support the strategic objectives of the IJB.
In order to maintain financial balance significant changes in current practise or service models may be required. It is important that proposals are evidence based on current and emerging best practice and represent the optimum balance between cost, quality and safety.	Investments are assessed using building better business cases methodology to ensure they align to strategic planning and demonstrate best value. Clinical, Care and Professional Governance arrangements agreed by the IJB ensure sound clinical and care governance are embedded.
The age demographics of Shetland's population is changing. This is expected to put increasing demand on health and social care services.	The Strategic Commissioning Plan 2019-2022 has been developed taking into account the expected demographic changes in the future.
Limited digital connectivity due to remote location, restricting the potential for use of information technology in service delivery.	The Strategic Commissioning Plan 2017-2020 identified "Technology" as one of its key themes in developing an integrated health and social care system. Activity is ongoing to secure funding and prioritise Shetland's digital requirements.
Uncertainty around the impact of withdrawal of the United Kingdom from the European Union.	Active monitoring and planning by SIC and NHSS to mitigate issues where possible and ensure service continuity.

Acknowledgement

We would like to acknowledge the significant effort of all the staff across the IJB who contributed to the preparation of the Annual Accounts and to the budget managers and support staff who have ensured delivery of the outcomes of the Strategic Commissioning Plan within the adjusted financial resources available to the IJB for the year ended 31 March 2019

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Jo Robinson
Chief Officer
26 September 2019

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Natasha Cornick
Chair
26 September 2019

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Karl Williamson
Chief Financial Officer
26 September 2019

Annual Governance Statement

Introduction

The Annual Governance Statement explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control.

Scope of Responsibility

The IJB is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The IJB also aims to foster a culture of continuous improvement in the performance of the IJB's functions and to make arrangements to secure Best Value.

In discharging these responsibilities, the Chief Officer has a reliance on the systems of internal control of both NHSS and SIC that support compliance with both organisations' policies and promote achievement of each organisation's aims and objectives, as well as those of the IJB.

The IJB has adopted a Local Code of Corporate Governance ("the Local Code") consistent where appropriate with the six principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework "*Delivering Good Governance in Local Government*". This statement explains how the IJB has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirement for an Annual Governance Statement.

Purpose of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks facing the organisation. The system aims to evaluate the nature and extent of failure to achieve the organisation's policies, aims and objectives and to manage risks efficiently, effectively and economically. As such it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control has been in place at the IJB for the financial year ended 31 March

2019 and up to the date of the approval of the Annual Accounts.

The Governance Framework and Internal Control System

The Board of the IJB comprises the Chair and five Members with voting rights; three are SIC Members appointed by the SIC and three are Non-Executive Directors appointed by the Scottish Government to NHSS. The IJB via a process of delegation from NHSS and SIC has responsibility for the planning, resourcing and oversight of operational delivery of all integrated health and social care within its geographical area through its Chief Officer. The IJB also has strategic planning responsibilities for a range of acute health services for which the budget is "set aside".

The main features of the IJB's system of internal control are summarised below.

- The overarching strategic vision and objectives of the IJB are detailed in the IJB's Integration Scheme which sets out the key outcomes the IJB is committed to delivering through SIC and NHSS as set out in the IJB's Strategic Commissioning Plan and Annual Accounts.
- Services are able to demonstrate how their own activities link to the IJB's vision and priorities through their Improvement Plans and Service Plans.
- Performance management, monitoring of service delivery and financial governance is provided through quarterly reports to the IJB as part of the Planning and Performance Management Framework. Quarterly reports include financial monitoring of the integrated budget and the "set aside" budget, the IJB Risk Registers, performance against national outcome measures, local outcome measures and service development projects. The IJB also receives regular reports from the joint Council, Health Board and IJB Clinical, Care and Professional Governance Committee and the IJB Audit Committee.
- The Participation and Engagement Strategy sets out the IJB's approach to engaging with stakeholders. Consultation on the future vision and activities of the IJB is undertaken collaboratively with SIC and NHSS and through existing community

planning networks. The IJB publishes information about its performance regularly as part of its public performance reporting.

- The IJB operates within an established procedural framework. The roles and responsibilities of Board Members and officers are defined within Standing Orders, Scheme of Administration and Financial Regulations; these are subject to regular review.
- Effective scrutiny and service improvement activities are supported by the formal submission of reports, findings and recommendations by Audit Scotland, the external auditors, national inspection agencies and the appointed Internal Audit service to the IJB's Senior Management Team, to the IJB and the main Board and Audit Committee.
- The IJB follows the principles set out in COSLA's *Code of Guidance on Funding External Bodies and Following the Public Pound* for both resources delegated to the Partnership by NHSS and SIC and resources paid to its SIC and NHSS Partners.
- Responsibility for maintaining and operating an effective system of internal financial control rests with the Chief Financial Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations and Standing Financial Instructions, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the IJB.
- The IJB's approach to risk management is set out in the Integration Scheme and IJB Risk Management Strategy. Reports on risk management are considered regularly by the Health and Social Care Management Team with quarterly reporting on the IJB Risk Registers to the IJB Board and an annual report to the IJB Audit Committee.
- IJB Board Members observe and comply with the Nolan Seven Principles of Public Life. Comprehensive arrangements are in place to ensure IJB Board Members and

officers are supported by appropriate training and development.

- Staff of both NHSS and SIC are made aware of their obligations to protect client, patient and staff data. The NHS Scotland *Code of Practice on Protecting Patient Confidentiality* has been issued to all NHSS staff working in IJB directed services and all staff employed by SIC working in IJB directed services have been issued with the Scottish Social Services Council Codes of Practice.

Review of Adequacy and Effectiveness

The IJB has responsibility for conducting at least annually, a review of effectiveness of the system of internal control and the quality of data used throughout the organisation. The review is informed by the work of the Service Managers within SIC and NHSS (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditors, and reports from external auditors and other review agencies and inspectorates.

The review of the IJB's governance framework is supported by a process of self-assessment and assurance certification by Directors. The IJB directs SIC and NHSS to provide services on its behalf and does not provide services directly. Therefore, the review of the effectiveness of the governance arrangements and systems of internal control within the IJB places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

Issue and Actions

There were two significant changes to the voting membership of the IJB during the year and up to the date of signing the annual accounts. A new Chair was appointed in March 2019 and a new Interim Chief Officer was appointed in May 2019. The previous Chair had completed their maximum permitted term as a member of NHS Shetland's Board and the previous Chief Officer was appointed to the Interim Chief Executive role in NHS Shetland. The change in membership is not considered a significant issue as thorough handovers and assurances have been received from the previous post holders. The new Chair has been a voting member of the IJB from

September 2017 and the new Interim Chief Officer has worked as an Executive Manager in Shetland's Community Health & Social Care Services from 2011. Both have extensive knowledge of the IJB and its delegated functions.

There remains one significant governance issues which continues to be highlighted by both Internal and External Audit. The key area of concern remains focused on the carried forward funding gap and ongoing Savings and Efficiency targets. Since the inception of the IJB in 2015 the Financial Recovery Plan has not succeeded in achieving the IJBs aspiration to "develop a Strategic Commissioning Plan which minimises, or ideally eliminates, the need for a Financial Recovery Plan".

There has been recent progress as evidenced in the 2019/20 IJB Budget which has identified £1.979m savings from an initial target of £2.533m. The remaining gap of £0.554m will be sought from non-recurrent measures which there is a good track record in achieving.

An IJB MTFP has been developed during the year and the ambition is to align this plan with the Strategic Commissioning Plan so that sustainable services can be delivered within the funding allocation available.

As savings plans are developed and refined the MTFP, which will be updated annually, will begin to incorporate the financial projections of these schemes and minimise or eliminate the need for a Recovery Plan.

Roles and Responsibilities of the Audit Committee and Chief Internal Auditor

IJB Members and officers of the IJB are committed to the concept of sound internal control and the effective delivery of IJB services. The IJB's Audit Committee operates in accordance with CIPFA's Audit Committee Principles in Local Authorities in Scotland and Audit Committees: Practical Guidance for Local Authorities.

The Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2013 (PSIAS) and reviews the performance of the IJB's Internal Audit Service. The appointed Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to

provide assurance on the adequacy and effectiveness of the IJB's system of internal control.

The internal audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The appointed Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of internal control. During 2018/19 the strategic internal audit management was passed to Audit Glasgow (part of Glasgow City Council's internal audit function). Reliance is therefore placed on the audit work undertaken prior to and following the appointment of Audit Glasgow.

The internal audit plan for 2018/19 included Self Directed Support Shetland Specific responses to Audit Scotland's national reports on health and social care integration, and Directions. The review of Self Directed Support was paused due to the Care Inspectorate review of the same area. The response to Audit Scotland's national reports was the subject of a self-assessment by management, which was reported to the Board in May 2019. Internal Audit will follow up that self-assessment during 2019/20. The fieldwork on Directions is being finalised and will be reported to the September 2019 meeting of the IJB's audit committee. The Chief Internal Auditor has also conducted a review of all matters arising from NHSS Internal Audit reports issued in the financial year by Scott Moncrieff, and those for SIC, and confirmed there are no significant matters arising specific to the IJB.

On the basis of the audit work undertaken during the reporting period, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the organisation.

Compliance with Best Practice

The IJB complies with the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2010". The IJB's Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced to lead the IJB's finance function and to direct finance staff in both partner organisations to ensure the effective financial management of the IJB. The

Shetland Islands Integration Joint Board

Chief Financial Officer has direct access to the Director of Finance for NHSS and the Executive Manager – Finance for SIC to address financial issues and is a member of the Local Partnership Finance Team.

The Partnership complies with the requirements of the CIPFA Statement on “*The Role of the Head of Internal Audit in Public Organisations 2010*”. The IJB’s appointed Chief Internal Auditor has responsibility for the IJB’s internal audit function and is professionally qualified and suitably experienced to lead and direct internal audit staff. The Internal Audit service operates in accordance with the CIPFA “*Public Sector Internal Audit Standards 2013*”.

Assurance

Subject to the above, and on the basis of assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement.

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Jo Robinson
Chief officer
26 September 2019

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Natasha Cornick
Chair
26 September 2019

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB Members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

Remuneration: IJB Chair and Vice Chair

The voting Members of the Integration Joint Board comprise three persons appointed by NHSS, and three persons appointed by the SIC. Nomination of the IJB Chair and Vice Chair post holders alternates between a SIC Councillor and a Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board Members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The Chair and Vice Chair did not receive any taxable expenses paid by the IJB in 2018/19 or 2017/18.

The IJB does not have responsibilities, in either the current year or in future years, for funding any pension entitlements of voting IJB Members. Therefore, no pension rights disclosures are provided for the Chair or Vice Chair.

Remuneration: Officers of the IJB

The IJB does not directly employ any staff in its own right, however specific post-holding officers are non-voting Members of the Board.

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

The Chief Officer is employed by NHSS but this is a joint post with SIC, with 50% of their cost being recharged to the SIC. Performance appraisal and terms and conditions of service are in line with NHS Scotland circulars and continuity of service applies. Formal line management is provided through the Chief Executive, NHSS, but the Director of Community Health and Social Care is accountable to both the Chief Executive of NHSS and the Chief Executive of SIC.

Other Officers

No other staff are appointed by the IJB under a similar legal regime and no other non-voting board Members of the IJB meet the criteria for disclosure.

All Partnership officers are employed by either NHSS or SIC, and remuneration to senior staff is reported through the employing organisation.

The IJB approved the appointment of the Chief Financial Officer at its meeting on 20 July 2015. The role of Chief Financial Officer for the IJB is carried out by the NHSS Head of Finance & Procurement, Karl Williamson, with NHSS meeting his full cost.

Disclosure by Pay Bands

Pay band information is not separately provided as all staff pay information has been disclosed in the information that follows on page 18.

Remuneration

The Chief Officer received the following remuneration during 2018/19:

Senior Employees	Designation	2018/19	2017/18
		*Total Remuneration £	*Total Remuneration £
Simon Bokor-Ingram	Chief Officer	95,006	93,698

*consists of salary, fees and allowances, with no expenses/benefits in kind/other payments

Pension benefits

In respect of officers' pension benefits, the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis, there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB, however, has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The table below shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

The Chief Officer participates in the National Health Service Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are Members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations.

The Shetland Islands Council Pension Scheme is still assessing the impact of the McCloud judgement in relation to benefits in 2015. The benefits and related cash equivalent transfer values disclosed do not allow for any potential future adjustments that may arise from this judgement.

Pension entitlement for the Chief Officer for the year to 31 March 2019 is shown in the table below, together with the contribution made to this pension by the employing body.

Name of Senior Official	Designation	In-Year Employer		Accrued Pension Benefits			
		2018/19 £	2017/18 £	As at 31 March 2019		Increase from 31 March 2018	
				Pension £	Lump Sum £	Pension £	Lump Sum £
Simon Bokor-Ingram	Chief Officer	13,889	13,677	31,979	73,646	2,381	1,126

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Jo Robinson
Chief Officer
26 September 2019

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Natasha Cornick
Chair
26 September 2019

Statement of Responsibilities for the Annual Accounts

The Integration Joint Board's Responsibility

The Integration Joint Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Integration Joint Board, the proper officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014) and, so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- approve the Annual Accounts for signature.

I can confirm that these Audited Annual Accounts were approved for signature by the Integration Joint Board on 26 September 2019.

Signed on behalf of Shetland Islands Integration Joint Board.

.....
Natasha Cornick

Chair

26 September 2019

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).
- kept adequate accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Annual Accounts give a true and fair view of the financial position of the Integration Joint Board at the reporting date and the transactions of the Integration Joint Board for the year ended 31 March 2019.

.....
Karl Williamson

Chief Financial Officer

26 September 2019

Independent auditor's report to the Members of Shetland Islands Integration Joint Board and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Shetland Islands Integration Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the Shetland Islands Integration Joint Board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the

Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the Shetland Islands Integration Joint Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Shetland Islands Integration Joint Board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Shetland Islands Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Chief Financial Officer and Shetland Islands Integration Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Shetland Islands Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Shetland Islands Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such

as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited part of the Remuneration Report has been properly prepared

in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

.....
Pat Kenny, CPFA (for and on behalf of Deloitte
LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
26 September 2019

Comprehensive Income and Expenditure Statement for year ended 31 March 2019

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2017/18 Net Expenditure £000		Notes	2018/19 Gross Expenditure £000	2018/19 Gross Income £000	2018/19 Net Expenditure £000
25,354	Health Services		26,789	-	26,789
21,708	Social Care Services		22,553	-	22,553
28	Corporate Services		29	-	29
47,090	Cost of Services		49,371	0	49,371
(47,329)	Taxation and non-specific grant income	5	-	(49,912)	(49,912)
(239)	(Surplus) / Deficit on Provision of Services		49,371	(49,912)	(541)
(239)	Total Comprehensive Income and Expenditure				(541)

There are no statutory or presentation adjustments which affect the IJB's application of the funding received from Partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement (CIES). Consequently, an Expenditure and Funding Analysis is not provided in these Annual Accounts.

Movement in Reserves Statement

This statement shows the movement in the year on the reserves held by the IJB.

2018/19	General Fund Balance £000
Balance at 1 April 2018	(364)
Total Comprehensive Income	(541)
(Increase) / Decrease in 2018/19	(541)
Balance at 31 March 2019	(905)

Comparative movements in 2017/18	General Fund Balance £000
Balance at 1 April 2017	(125)
Total Comprehensive Income and Expenditure	(239)
(Increase) / Decrease in 2017/18	(239)
Balance at 31 March 2018	(364)

Balance Sheet as at 31 March 2019

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the IJB. The net assets of the IJB (asset less liabilities) are matched by the reserves held.

As at 31 March 2018 £000		Notes	As at 31 March 2019 £000
364	Other Current Assets	6	905
364	Current Assets		905
364	Net Assets		905
	Represented by:		
364	Usable Reserves	7	905
364	Total Reserves		905

The unaudited financial statements were issued on 27 June 2019 and the audited financial statements were authorised for issue by Karl Williamson on 26 September 2019.

The Annual Accounts presents a true and fair view of the financial position of the Integration Joint Board as at 31 March 2019 and its income and expenditure for the year then ended.

.....
Karl Williamson
Chief Financial Officer
26 September 2019

Notes to the Primary Financial Statements

Note 1: Accounting Standards issued Not Adopted

The Code requires the disclosure of information about accounting changes that will be required by new accounting standards that are not yet due to be adopted. There are none which are relevant to the IJB accounts.

Note 2: Accounting Standards Adopted In The Year

The IJB has adopted IFRS 15 "Revenue from Contracts with Customers" for the first time in 2018/19. The IJB has considered this new standard and no adjustments are deemed necessary in the current or prior year as the IJB does not have any contracts with customers.

The IJB also considered whether adjustments are deemed necessary in respect of IFRS 9 "Financial Instruments" in the current or prior year and concluded that there were no transactions within the Accounts which are relevant to this accounting standard.

Note 3: Critical Judgements and Estimation Uncertainty

There are no material critical judgements or sources of estimation uncertainty included in the Financial Statements.

Note 4: Events After the Reporting Period

The Annual Accounts were authorised for issue by the Chief Financial Officer on 26 September 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respect to reflect the impact of this information.

Note 5: Taxation and Non-Specific Grant Income

2017/18 £000		2018/19 £000
20,550	Funding contribution from Shetland Islands Council	21,277
24,895	Funding contribution from NHS Shetland	26,751
1,884	Other Non-ringfenced grants and contributions	1,884
47,329	Total	49,912

The funding contribution from NHSS shown above includes £4.890m in respect of 'set aside' resources. These are provided by NHSS which retains responsibility for managing the costs of providing the services. The IJB has responsibility for the consumption of, and level of demand placed on these resources.

Other non-ring fenced grants and contributions represents Scottish Government funding provided for the IJB. As the IJB does not have its own bank account, this funding was paid to NHSS as part of their annual funding settlement and transferred to the IJB by NHSS, together with their funding contribution.

Note 6: Other Current Assets

As at 31 March 2018 £000		As at 31 March 2019 £000
183	Shetland Islands Council	170
181	NHS Shetland	735
364	Total	905

Amounts owed by the funding Partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding Partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

The IJB does not have a bank account. Underspends recorded by SIC and NHSS that are carried forward are therefore held in their own

bank accounts and reflected as Other Current Assets by the IJB.

Note 7: Usable Reserve: General Fund

The IJB holds a balance on the General Fund for two main purposes:

- to earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- to provide a contingency fund to cushion the impact of unexpected events or emergencies.

2017/18 £000	General Fund	2018/19 £000
(125)	Balance at 1 April	(364)
(239)	Transfers in: Scottish Government Additionality Funding Underspend	(67)
(364)	Sub-total	(431)
-	Earmarked element of Reserve: NHSS Specific Funding Underspend	(474)
(364)	Balance at 31 March	(905)

Note 8: Related Party Transactions

The IJB has related party relationships with the SIC and NHSS. In particular, the nature of the Partnership means that the IJB may influence, and be influenced by, its Partners. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

The funding contributions made by the SIC and NHSS are detailed in Note 5. The debtor balances of the SIC and NHSS with the IJB as at 31 March 2019 are detailed in Note 6.

Full expenditure detailed in the CIES on Health Services and Social Care Services was provided by NHSS and SIC, respectively.

SIC and NHSS provide support services to the IJB. These costs are not recharged to the IJB.

Note 9: Post Balance Sheet Event

Simon Bokor-Ingram was appointed Interim Chief Executive of NHS Shetland on 22 April 2019, so it was necessary to appoint an interim Director of Community Health and Social Care to cover the expected 6 month period he will be unable to cover his permanent post, which includes his role as Chief Officer of the IJB.

Jo Robinson was appointed as Interim Director of Community Health and Social Care and Chief Officer of the IJB from 13 May 2019.

These annual accounts differ from the published unaudited annual accounts due to amendments arising from audit.

Note 10: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the IJB's transactions for the 2018/19 financial year and its position as at 31 March 2019.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government Act 1973 and as such is required to prepare its annual accounts in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the financial statements is historical cost. The accounts have been prepared on a going concern basis, on the premise that its functions and services will continue in existence for the foreseeable future.

B Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- supplies are recorded as expenditure when they are consumed, but where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a change made to the CIES for the income that might not be collected.

C Funding

The IJB is primarily funded through funding contributions from the statutory funding Partners, SIC and NHSS. Expenditure is incurred as the IJB commissions specified health and social care services from the funding Partners for the benefit of service recipients in Shetland.

D Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently, the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet.

E Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the funding Partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangement are provided in the Remuneration Report. Charges from the employing partner are treated as employee costs.

F Reserves

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

The IJB Reserve includes an earmarked element which is set aside for a specific purpose in line with the IJB's Reserves Policy.

G Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member or officer responsibilities. NHSS and SIC have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the IJB does not have any "shared risk" exposure from participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the expected value of known claims, taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

H Events after the Balance Sheet

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the annual accounts are authorised for issue.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period, whereby the annual accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period, whereby the annual accounts are not adjusted to reflect such events; where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

I VAT

The IJB is not VAT registered and does not charge VAT on income or recover VAT on payments. Any VAT incurred in the course of activities is included within service expenditure in the accounts.



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Your Ref:
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E-mail: jo.robinson@shetland.gov.uk

Date: 26 September 2019

Dear Sirs,

This representation letter is provided in connection with your audit of the financial statements of the Shetland Islands Integration Joint Board for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Shetland Islands Integration Joint Board as of 31 March 2019 and of the results of its operations, other comprehensive net expenditure and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom.

In addition to the above, this representation letter is provided in connection with your audit of the Management Commentary, Remuneration Report and Annual Governance Statement for the following purposes:

- Expressing an opinion on the auditable part of the Remuneration Report as to whether it has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- Expressing an opinion as to whether the information given in the Management Commentary is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- Expressing an opinion as to whether the information given in the Annual Governance Statement is consistent with the financial statements and that the report has been prepared in accordance with the Delivering Good Governance in Local Government Framework (2016).

I am aware that it is an offence to mislead a Boards auditor.

As Responsible Financial Officer and on behalf of the Board, I confirm, to the best of my knowledge and belief, the following representations.

Financial statements

1. I understand and have fulfilled my responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code), which give a true and fair view, as set out in the terms of the audit engagement letter.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of *IAS24 "Related party disclosures"*.
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. There are no uncorrected misstatements or disclosure deficiencies.
7. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the IJB or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the IJB's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
8. We confirm that all of the disclosures within the Management Commentary, Remuneration Report and the Annual Governance Statement have been prepared in accordance with the relevant legislation and guidance.

Information provided

9. We have provided you with all relevant information and access.
10. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
11. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We are not aware of any fraud or suspected fraud that affects the entity and involves:
 - (i) management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have a material effect on the financial statements.
14. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
15. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements
16. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
17. No claims in connection with litigation have been or are expected to be received.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Josephine Robinson
Interim Director Community Health & Social Care/IJB Chief Officer
Signed as the Chief Officer, and on behalf of the Integration Joint Board