

Shetland Islands Health and Social Care Partnership

 Shetland NHS Board	 Shetland Islands Council
<div>Enquiries to Leisel Malcolmson, Committee Officer Direct Line: 01595 744599 E-mail: leisel.malcolmson@shetland.gov.uk</div> <div>17 September 2020</div>	

Dear Member

Special IJB Audit Committee

Thursday 24 September 2020 at 2p.m.

Remote Link

Please note that because of the current COVID-19 (Coronavirus) pandemic, and as permitted by legislation, this meeting will not be open to members of the public.

This meeting will take place by remote means, by video and teleconference, for Voting and Non-Voting Members and advising officers and the Press only. Joining details will be sent separately to those attending.

Public reports are available on the Council's website. The actions and decisions taken at the meeting will be published on the Council's website as soon as possible thereafter.

Apologies for absence should be notified to SIC Committee Services on 01595 744592.

Yours sincerely



Brian Chittick
Interim Chief Officer

Chair: S Manson
Vice-Chair: R McGregor

AGENDA

ITEM	
A	Welcome and Apologies
B	Motion to Suspend Standing Order 5.8 in relation to Public Attendance at Meetings.
C	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.	Final Audited Accounts 2019/20 CC-32
2.	Annual Audit Report 2019/20 CC-31



Shetland Islands Council

Agenda Item

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Meeting(s):	IJB Audit Committee Integration Joint Board	24 September 2020 24 September 2020
Report Title:	Final Audited Accounts 2019/20	
Reference Number:	CC-32-20-F	
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 2019/20 (Appendix 1);
- b) NOTE the Management Representation Letter (Appendix 2); and

1.2 The IJB RESOLVE to:

- a) APPROVE the audited Annual Accounts for 2019/20 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 2020 and publish them no later than 31 October 2020.

2.3 The management representation letter is written by the IJB’s external auditors, which is signed by the Chief Financial Officer. The letter attests to the accuracy of the financial statements that the IJB has submitted to the auditors for their analysis and is a requirement under the International Standard on Auditing (ISA).

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	<p>The Audited Account are provided as Appendix 1. They include the following key points for Members' consideration:</p> <ul style="list-style-type: none"> • The Management Commentary (page 2 – 15) 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 2020 and its financial position as at 31 March 2020; • The Annual Governance Statement (page 16 to 19) explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control; • The Independent Auditors' Report (page 24 to 26) 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 £0.073m in 2019/20, which will be carried forward in the IJB Reserve; • The IJB General Reserve balance as at 31 March 2019 is £0.978m.
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 Public Bodies (Joint Working) (Scotland) Act 2014 requires that the Health and Social Care Partnership Integration Joint Board (IJB) is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973. This requires the IJB to prepare and publish a set of Annual Accounts at the end of each financial year. These accounts must be reviewed by an Independent Auditor who reports their findings to the IJB Audit committee.

	<p>The Local Authority Accounts (Scotland) Regulations 2014 require IJB Members to consider the audited Annual Accounts and approve them for signature not later than 30th September immediately following the financial year to which the accounts relate.</p> <p>Due to the Coronavirus pandemic and in line with the Coronavirus (Scotland) Act 2020 and Local Government Finance Circular 10/2020, the Scottish Ministers consider it reasonable that local authorities may publish their audited Annual Accounts by no later than 30 November 2020.</p> <p>It has not been necessary to delay the signing and publication of the IJB's audited accounts beyond the existing statutory deadline of 30 September 2020.</p> <p>There are no other legal implications directly arising from this report.</p>
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 2019/20 audit is presented as a separate item on the agenda.
6.10 Policy and Delegated Authority:	<p>Section 95 of the Local Government (Scotland) Act 1973 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.</p> <p>Shetland's Integration Joint Board (IJB) also derives its delegated authority from the Public Bodies (Joint Working) (Scotland) Act 2014, which required the parties to develop an Integration Scheme, Scheme of Administration and Financial Regulations. The 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>The Local Authority Accounts (Scotland) Regulations 2014 require that IJB Members consider the audited annual</p>

	<p>accounts and approve them for signature by 30 September 2020 and publish them no later than 31 October 2020.</p> <p>The remit of the IJB Audit Committee includes consideration of audit matters as well as overseeing and reviewing any action taken in relation to audit activity.</p> <p>The preparation and presentation of the Annual Accounts is a key element of the IJB's overall governance and reporting arrangements.</p>	
6.11 Previously considered by:	<i>n/a</i>	<i>n/a</i>

Contact Details:

Karl Williamson, Chief Financial Officer, karlwilliamson@nhs.net, 16 September 2020

Appendices:

Appendix 1 – Shetland Health and Social Care Partnership Audited Annual Accounts 2019/20

Appendix 2 – Management Representation Letter

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

Annual Accounts **2019/20**



Shetland Islands
Integration Joint Board

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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 was due to be formally reviewed prior to 31 March 2020, however this has been delayed due to the response to Covid-19 pandemic.

The Shetland Health and Social Care Partnership Members for 2019/20, and up to date of signing these accounts, were as follows:

Voting Members:

- Mr A Duncan (Vice Chairperson – SIC) – term ended 31 March 2020
- Ms N Cornick (Chairperson – NHSS) – term ended 31 March 2020
- Ms J Haswell (NHSS)
- Ms S Manson (NHSS)
- Mr R McGregor (SIC)
- Ms E Macdonald (SIC)

Non-Voting Members:

- Mr S Bokor-Ingram (Chief Officer) – In post 1 April 2019 to 12 May 2019 and 1 February 2020 to 18 April 2020
- Mr B Chittick (Interim Chief Officer) – Appointed 13 July 2020
- Ms S Gens (Staff Representative)
- Mr J Guyan (Carers’ Representative)
- Mrs C Hughson (Third Sector Representative)
- Mrs M Nicolson (Chief Social Work Officer) – Resigned 17 July 2019
- Mrs D Morgan (Interim Chief Social Work Officer)
- Ms J Robinson (Interim Chief Officer) – In post 13 May 2019 to 12 July 2020
- Ms J Robinson (Interim Depute Chief Officer) – Appointed 13 July 2020
- 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)
- Vacant (GP Representative)
- Vacant (Patient / Service User Representative)

Post Year End Changes to Voting Membership

- Mr A Duncan (Chairperson – SIC) – appointed 1 April 2020 and resigned 17 May 2020
- Ms N Cornick (Vice Chairperson) – appointed 1 April 2020
- Ms E MacDonald (Chairperson – SIC) – appointed 18 May 2020
- Mr S Leask (SIC) – appointed 18 May 2020

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 2020 ("period", "year") and its financial position as at 31 March 2020.

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 including unscheduled care. The Strategic Commissioning Plan specifies the services to be delivered by the Parties and binding Directions issued by the IJB to SIC and NHSS act as the mechanism to action the Strategic Commissioning Plan. 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_I

[nte gration/documents/SHSCPPartnershipIntegrationScheme15May2015_000.pdf](http://www.shetland.gov.uk/Health_Social_Care_Itegration/documents/SHSCPPartnershipIntegrationScheme15May2015_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.

<https://www.shetland.gov.uk/communityplanning/documents/180801SPPforWebFINAL.pdf>

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; and
- 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 three 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

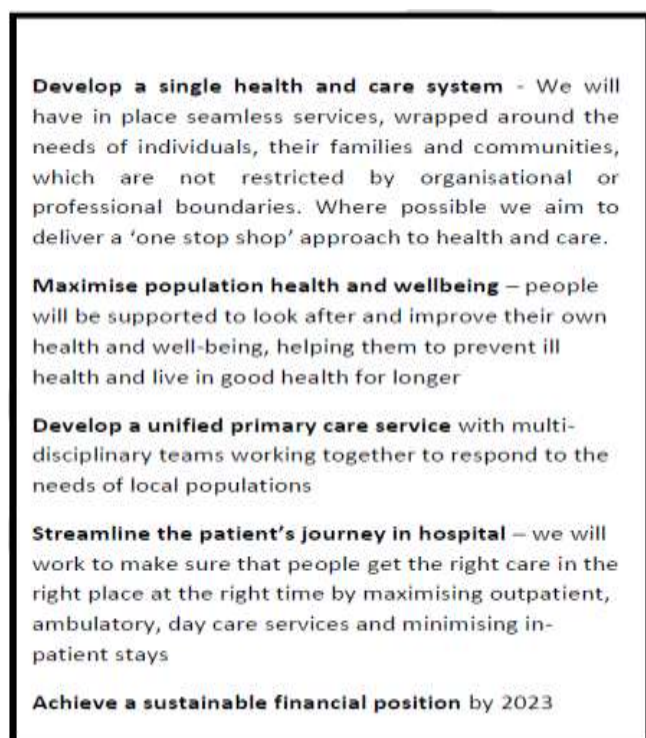
The IJB approved its Strategic Commissioning Plan 2019-2022 on 13 March 2019

<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 set 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:



Performance Overview

The IJB continued to monitor specific targets and objectives to make sure that health and social care service in Shetland provide the best possible outcomes for the community within available resources. The measures used align with those monitored by the Scottish Government to check the system is working as whole.

Shetland performs well against most of the national 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 5 March 2020 "Performance Overview, Quarter 3: October – December 2019 and Performance Directions".

<https://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=25075>

The IJB approved the PMF in June 2019. The PMF was jointly developed with NHSS and SIC and represents 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 improve how we do things. The PMF replaces the Commissioning and Procurement Framework 2016-2020.

<https://www.shetland.gov.uk/coins/viewDoc.asp?c=e%97%9De%94l%82%90>

On 6 March 2019, The Director General Health and Social Care Directorates, Scottish Government and the Chief Executive, COSLA wrote to Integration Authority Chief Officers, NHSS Board Chief Executives and Local Authority Chief Executives seeking feedback on progress towards health and care integration. The work is in response to the Audit Scotland Report "Health and Social Care Integration – Update on progress" (November 2018). On 14 May 2019 the IJB considered and agreed a self-evaluation template and indicative improvement activities, with a formal Development Plan being submitted to the Scottish Government on 23 August 2019.

The Development Plan set out six Key Features of the Self Evaluation process:

- Collaborative leadership and building relationships;
- Integrated finances and financial planning
- Effective strategic planning for improvement;
- Governance and accountability arrangements;
- Ability and willingness to share information; and
- Meaningful and sustained engagement.

It was hoped that the improvement actions could be met under three broad activities:

- The review of the Integration Scheme;
- The Refresh of the Joint Strategic (Commissioning) Plan; and
- The update to the Medium Term Financial Plan.

Section 44 of the Public Bodies (Joint Working) (Scotland) Act 2014 requires a review of the Integration Scheme within 5 years is undertaken

by the Health Board and Local Authority. The process for the review of the Integration Scheme was agreed by NHSS and SIC Policy and Resources Committee in August/September 2019 with the IJB noting the information presented and acknowledging they will be invited to participate in the review process. A wide range of stakeholders were detailed with whom engagement was required to ensure an open and collaborative process was followed and communicated broadly. Unfortunately, completion of the review has been halted by the Covid-19 pandemic response, but it is hoped that this work will be progressed as soon as possible and the outcome reported to the IJB.

The process of updating the Strategic Commissioning Plan was considered by the IJB on 28 November 2019. The Strategic Planning Group had considered the required approach to the process and advised that planning and budgeting arrangements were deemed complimentary to one another and the needs assessment that underpinned the current plan had not significantly changed enough to warrant any major shift in strategic direction. This complies with Scottish Government guidance.

A separate engagement exercise on Community Led Support was agreed in May 2019 by the IJB and scheduled to take place over an 18 month period. The Programme is intended to provide a fundamental shift in the philosophy of how public sector services should be designed and delivered with, and for, communities. The objective being to engage with local communities to help to design the 'right services, delivered in the right place and at the right time'. Community Led Support will provide good evidence to inform and shape the Strategic Plan.

Following an inspection of Self Directed Support by the Care Inspectorate during 2018, which looked at six health and social care partnerships across Scotland, including Shetland, the 'Thematic review for self-directed support in Scotland' was published on 27 June 2019. In addition, the specific finding and recommendations of the individual partnerships were published.

The main purpose of the review was to improve understanding of the implementation of self-directed support to deliver the objectives of the Social Care (Self-directed Support) (Scotland) Act 2013. The findings were set out against seven themes:

- Key performance outcomes;
- Getting support at the right time;
- Impact on staff;
- Delivery of key processes;
- Policy development and plans to support improvement in services;
- Management and support of staff; and
- Leadership and direction that promotes partnership.

The inspection report for Shetland found that performance was 'Good' in one key theme, and 'Adequate' in six others, so was therefore positive and provides a baseline to build upon and address recommended improvements. The IJB approved its Self-directed Support Action Plan on 5 September 2019 and recommended that a strategy would help to underpin it.

The IJB agreed in November 2019 that no separate process would be undertaken to update its Strategic Commissioning Plan for 2020-23. Instead it was suggested that the evidence and knowledge gained from the review of the Integration Scheme, the Community Led Support Programme and other co-production projects be used to update and shape the Strategic Commissioning Plan for report back by spring 2020. The Joint Strategic Commissioning Plan 2020-23 is due to be presented to the IJB on 10 December 2020. This has been significantly delayed by Covid-19.

The IJB is obliged by the Public Bodies (Joint Working) (Scotland) Act 2014 to publish an annual performance report. The Annual Performance Report (APR) 2019-20 was due to be completed in June 2020, but work on the report has been delayed due to the Covid-19 pandemic response. In previous years, the report has been completed by the Head of Planning and Modernisation, NHS Shetland, who left this post during the year. The post has not been filled by NHSS but it was agreed the strategic planning function of the IJB would continue to be supported by the NHSS through, the Public Health Principal.

In addition to providing an overview of the IJB's performance during the year, the APR also considers the view of service users and the staffing delivering services, and reflects on external feedback through audits and inspections. It can be difficult to demonstrate the 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 are likely to be met in the future.

Operational Review

In 2019/20 the IJB set out to put in place arrangement to improve service through a range of initiatives, building on work from previous years.

Our achievements during 2019/20 include:

1. The completion of the “Caring For Bressay” Project which explored the health and care needs of residents on Bressay in order to create a sustainable, affordable and clinically appropriate service model which meets the health and care needs of islanders both now and for the future. The work recognised a number of drivers for change, and through partnership work with Bressay Community Council, other agencies and the Bressay community, developed the new service model. It is now hoped to roll out a similar approach to implementation of co-production methods with communities throughout Shetland, appropriate to the particular community context;
2. Delivery of a series for rights and risks roadshow events and also an online survey to explore rights and risks in the immensely complex landscape of adult social care;
3. Continued development and work to implement the Primary Care Improvement Plan embedding the ethos of ‘right person, right place, right time’;
4. Review and development of IJB Directions following the Statutory Guidance for IJB Directions being published in January 2020, acting on recommendations for improvement made by Internal Audit Glasgow in March 2020;
5. The Palliative and End of Life Care Strategy for Shetland 2019-2022 was developed and approved. The strategy focuses on what is important to people who are dying, their relatives and the carers/family who support them. It promotes respect, choice, dignity and safety for all regardless of age, ability and of diagnosis;
6. Work facilitated through the Self-directed Support Programme Board to take forward the recommendations of the Care Inspectorate’s Self-directed Support Thematic Review and deliver on the Self-directed Support Action Plan 2019/2020;
7. Delivery of a range of Community Led Support sessions with support from the National Development Team for Inclusion who have been commissioned by Health Improvement Scotland following the principles of the Community Led Support Programme;
8. Continuation of the review of Council funded Adult Services for adults with learning disability, autism and complex needs, to ensure equitable access to resource and service and sustainability of resource and service in an area of demographic increase;
9. Establishment of the Assertive Community Transitions (ACT) Service, created to support young adults with learning disabilities and complex needs. The service provides accommodation and staffing to allow intensive support to the individuals, providing better outcomes and avoiding the need to access expensive off-island placements; and
10. Development of Social Care ‘Test of Change’ Projects identified previously through a review of Sustainable Social Care Models. This includes the design and implementation of a scheduled overnight care service, to allow for the delivery of 24 hour support at home, and also planning for extended day care services at Edward Thomason House, to provide longer hours intended to improve outcomes for individuals accessing care and to support their unpaid carers.

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 and were highlighted the IJB's Annual Performance Report 2018-19 which also provides the full range of indicators. These statistics are made available on a biennial basis, so comparatives have not been provided.

https://www.shetland.gov.uk/Health_Social_Care_Integration/documents/ShetlandCHSCAnnualPerformanceReport2018-19.pdf

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	2019/20	2018/19
Percentage of Recovery Plan savings target achieved in year	61%	19%
Percentage of recurrent savings achieved against Recovery Plan savings target in year	4%	11%

Financial Statements

The Financial Statements detail the IJB's transactions for the year and its year-end position as at 31 March 2020. 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 and Interim Chief Officer of the Partnership is disclosed in the Remuneration Report.

Financial Review

At its meeting on 13 March 2019 the IJB approved its 2019/20 budget of £45.648m (indicative budget 2018/19: £44.099m). 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 2019/20 being £49.558m (2018/19: £46.226m).

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 2019/20.

For the year-ended 31 March 2020, the IJB generated a surplus of £0.073m (2018/19: £0.541m), after adjustment has been made for additional contributions made by SIC and NHSS.

The surplus of £0.073m represents the underspend of Scottish Government Additionality Funding and other specific funding allocations during the year off-set by expenditure that the IJB agreed would be met from its Reserve. This surplus 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 2020 for the IJB is an overall deficit against budget of £1.951m (2018/19: £3.116m), which represents an underspend in relation to services commissioned from SIC of £0.680m (2018/19: overspend £0.157m) and an overspend in relation to services commissioned from NHSS of £2.631m (2018/19: overspend £2.959m). The £1.951m deficit (which includes 'set aside budget') is detailed in Row 3 in the following table.

In order to achieve the final IJB surplus of the year of £0.073m, NHSS made a one-off additional contribution of £2.734m to the IJB. The additional contribution from NHSS is non-recurrent in nature and does not require to be paid back in future years. The SIC received a one-off additional contribution from the IJB of £0.710m.

Financial Transactions 2019/20

		2019/20			2018/19		
		SIC £000	NHSS £000	TOTAL £000	SIC £000	NHSS £000	TOTAL £000
1	Budgets delegated to the Parties from the IJB	23,698	25,860	49,558	22,396	23,830	46,226
2	Contribution from the Parties to the IJB (against delegated budgets)	(23,018)	(28,491)	(51,509)	(22,553)	(26,789)	(49,342)
3	Surplus/(Deficit)	680	(2,631)	(1,951)	(157)	(2,959)	(3,116)
4	Additional contributions from Parties to meet IJB Direct Costs	(17)	(16)	(33)	(15)	(14)	(29)
5	IJB Direct Costs (Audit fee, Insurance & Members Expenses)	17	16	33	15	14	29
6	Additional contributions (to)/from SIC and NHS to IJB	(710)	2,734	2,024	144	3,513	3,657
7	Final Surplus/(Deficit) of IJB	(30)	103	73	(13)	554	541

Significant Budget Variances

The table at page 13, provides the details of the significant budget variances for the year which led to the overall £1.951m 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.

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 (£0.453m) (2018/19: (£0.652m)). It was possible to partially offset this cost due to vacancies across NHSS mental health service, £0.185m, and an underspend in employee costs in the Community Mental Health Team, £0.126m, where 2 vacant posts were identified as no longer required following a review of the service. Further savings were achieved after removal of essential car users allowance and provision of pool cars for staff use.

Efforts continue regarding ways to reduce the requirement for expensive locums in Mental Health including the development of a 24/7 nursing model and the redesign of the consultant job description.

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 (£0.110m) (2018/19: (£0.127m)), Whalsay (£0.102m) (2018/19: (£0.080m)), Unst (£0.091m) (2018/19: (£0.093m)) and Brae (£0.127m) (2018/19: (£0.128m)). The introduction of GP Joy initiative has seen a reduction in overall locum costs during 2019/20.

The overspending above has been off-set by £0.377m of the £1.2m additional primary care, island harmonisation funding received by NHSS from the Scottish Government in February 2020,

increasing the funding allocated by NHSS to the IJB. The remaining £0.823m was set against the 2019/20 efficiency target. This funding was also provided during 2018/19 and it is hoped this funding will be made recurrent as part of NHSS funding allocation.

Unscheduled Care

The majority of the budget variance in Unscheduled Care during the year was also due to locum costs. Locum cover and a bank consultant were required to cover two vacant medical consultant posts during the year (£0.789m) (2018/19: (£0.732m)).

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. More flexible contract models for consultants in order to broaden the appeal of the generalist role will also be considered.

Agency Staffing Cost

Shetland has low unemployment and the population is ageing at a faster rate than the rest of Scotland. This has led to challenges for the IJB in recruiting local people to work in Community Health and Social Care roles.

Community Care Resources

Difficulty has been experienced in recent years in recruiting and retaining social care staff. Staff sickness, notably several cases of long-term sickness create extra pressure. In order to continue to safely deliver residential care services, it has therefore been necessary to use agency staff, leading to an overspend of (£0.773m) (2018/19: (£0.534m)) in Community Care Resources.

It was possible to offset some of the agency costs against underspend in employee cost in Community Care Resources budgets £0.403m (2018/19: (£0.069m)) due to vacant posts during the year. It has also been necessary to reduce residential bed capacity at Isleshavn to make best use of available staffing.

There was an underspend of £0.192m in employee costs at Support At Home Central,

which is in part due to an identified 90 hours per week vacant posts being repurposed as the service worked towards establishing scheduled overnight care. Further additional budget of £92k has been agreed for 2020/21 in respect of the scheduled overnight care service, which went live on 11 May 2020.

During 2019/20 negotiation has taken place with Agency staffing providers to arrange lower hourly rates and also to allow for agency staff who would like to join the workforce to be released without penalty payments.

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 Covid-19 pandemic led to the suspension of day care and respite services in March 2020, with staff redeployed to support people in their own homes and care homes. The full economic impact of the pandemic is unknown, but with unemployment expected to increase, the Council will actively seek to recruit care staff where local people find themselves unemployed.

Another of the Test of Change Projects within Community Care Resources was to increase the provision of day care services at ET House to better support individuals and carers. Due to Covid-19, this is currently on hold, but budget of £51k is in place for 2020/21 to deliver when it is safe to do so. It is hoped this initiative will further support the move to shift the balance of care, whilst making best use of staffing resources.

Community Nursing

Agency staffing have been required in Unst for the full year to cover a band 6 vacancy. The 24/7 nature of this role has made recruitment difficult and led to a significant overspend (£0.149m) (2018/19: (£0.172)).

Vacant Posts

Oral Health

The Dental Director post has been vacant for most of the year as he has been seconded to the Interim Medical Director role, with a further Band

7 vacancy, which has led to an underspend of £0.162m in Oral Health.

The Dental Director has been appointed as Interim Chief Officer of the IJB from 13 July 2020, however post has been backfilled from July 2020. The role of Dental Business Manager has been redesigned with a clinical lead to be appointed.

Adult Social Work

There was an underspend in employee costs, within Adult Social Work of £0.116m (2018/19: £0.071m), due to vacant posts, some of which have proved difficult to recruit to. It was possible to engage agency staffing for a short period of time and the service had been successful in appointing a full-time permanent social worker who will take up post in July 2020 and also a temporary social worker/mental health officer for a 15-month period from the end of June 2020.

As a result of vacancies, it has been possible to increase the Senior Admin Assistant role from part-time to full-time. This post was filled in April 2020 and will facilitate a review of Adult Social Work's Admin's Team and support the development of Community Led Support within the service.

Increased Demand

Adult Services

The overspend in Adult Services is mainly due to the cost of establishing the ACT Service, (£0.103m) (2018/19: Nil) as detailed in the Operational Review at page 6, for which there was no budget. The full annual cost of operating the ACT Service (£0.427m) has been incorporated in the IJB budget in 2020/21.

There was also an overspend in employee costs at Newcraigelea (£0.055m) (2018/19: (£0.053m)) due to staffing above the budgeted level to support increased demand for respite services.

Adult Social Work

The budget for Off Island Placements was also overspent during the year (£0.107m) (2018/19: £0.044m)). These individual packages of specialist support are expensive, so changes to

the number of packages mean costs can vary significantly from year to year.

Self-Directed Support

The overspend in Adult Social Work is primarily due to overspend in the provision of Self Directed Support (SDS).

The Self Directed Support budget is utilised to deal with payments under SDS Options 1 and 2. Individuals with an assessed level of social care need can choose these options as an alternative to having their care provided directly by the local authority. Option 1 allows for direct payments to be made to individuals while Option 2 lets the individual choose a care organisation to provide their support and the local authority will arrange this for them.

Payments are predominantly under Option 1 due to limited availability of providers to deliver Option 2 in Shetland. Despite being able to utilise Scottish Government Additionality Funding to support the increased SDS payments there was an overspend in the year of, (£0.310m) (2018/19: (£0.035m)).

This was due to an increased number of packages, with a few packages now exceeding the annual cost of a permanent residential place where sleep in provision is included. The increased demand is due to demographic pressure on the system as there was no significant reduction in demand for traditional social care services.

It is hoped that the establishment of the scheduled overnight care service may provide an alternative to sleep-ins within SDS packages, with a robust review of rights and risks that support fuller independence to the individuals concerned.

Overachievement of Charging Income

There was an overachievement of Board and Accommodation income in the year, £0.901m (2018/19: £0.504m) 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, £0.014m, and underspend in employee costs due to vacant posts within the Intermediate Care Team during the year, £0.066m.

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 amounted to £0.496m 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 £2.734m (see table on page 9) 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;
- Action 15 - £0.067m;
- Attend Anywhere - £0.025m;
- Child Healthy Weight - £0.032m;
- PCIF - £0.041m;
- Realistic Medicine - £0.003m;
- Rural Fund – Falseified Med (Dispensing) Yr1&2 - £0.049m;
- Rural Fund – Change Mgt - £0.039m;
- Rural Fund – PHEC - £0.008m;
- Rural Fund – Rediscover The Joy - £0.069m;
- Screening Inequalities Yrs 1&2 - £0.026m; and
- Trail Valued Based Healthcare - £0.010m.

Efficiency Target

An efficiency savings target of £2.331m (2018/19: £2.276m) was identified within the 2019/20 IJB Budget, necessitating a Recovery Plan to be implemented during the year. As at 31 March 2020, there was an underachievement of (£0.904m) (2018/19: (£1.850m)) against the Recovery Plan.

Of the £1.427m (2018/19: £0.426m) savings achieved, £0.099m (2018/19: £0.247m) represented recurring savings and £1.328m (2018/19: £0.179m) were non-recurrent.

Significant Budget Variance Table

Service Heading	2019/20			2018/19		
	Revised Budget £000	Budget Variance £000	Budget Variance %	Revised Budget £000	Budget Variance £000	Budget Variance %
Mental Health	2,413	(282)	(11.7%)	2,071	(463)	(22.4%)
Substance Misuse	588	94	16.0%	543	47	8.7%
Oral Health	3,133	162	5.2%	3,084	13	0.4%
Primary Care	5,418	(624)	(11.5%)	5,676	139	2.4%
Community Nursing	2,994	(149)	(5.0%)	2,862	(172)	(6.0%)
Adult Services	5,803	(98)	(1.7%)	5,472	65	1.2%
Adult Social Work	3,090	(310)	(10.0%)	2,530	-	0.0%
Community Care Resources	11,984	752	6.3%	11,350	(398)	(3.5%)
Health Improvement	365	55	15.1%	259	48	18.5%
Unscheduled Care	3,233	(1,006)	(31.1%)	2,964	(823)	(27.8%)
Intermediate Care Team	672	80	11.9%	662	81	12.2%
Other Services	10,769	279	2.6%	10,603	197	1.9%
Efficiency Target	(904)	(904)	100.0%	(1,850)	(1,850)	100.0%
Total	49,558	(1,951)		46,226	(3,116)	

The Balance Sheet as at 31 March 2020

The IJB carried a General Reserve of £0.905m as at 1 April 2019. This reserve was created from previous years underspending in the Scottish Government Additionality Funding £0.431m and underspend in specific NHSS Funding in 2018/19 which were carried forward as an earmarked element of the Reserve £0.474m.

During the year there has been a draw on the IJB Reserve of £0.337m, £0.307m of earmarked reserve and further spend against a number of projects which the IJB have agreed to fund from its Reserve, £0.030m.

As at 31 March 2020 the General Reserve has a balance of £0.978m, of which £0.496m is earmarked and a further £0.118m has been committed to specific projects.

2020/21 Budget and Medium Term Financial Outlook

The IJB Board approved the proposed budget for 2020/21 of £50.736m, on 28 May 2020, subject to NHSS Board approval of their delegated budget at its meeting on 18 August 2020. The IJB noted the risks associated with Covid-19 and the impact this may have on 2020/21 budgets and costs.

For the first time since the inception of the IJB, the proposed payments to the IJB from the Parties are equal to the cost of services. This means the IJB will begin the financial year with a balanced budget position.

General Reserve is also available to support the strategic objectives of the IJB, as detailed in Note 6 to the Accounts (page 31). Since the inception of the Shetland IJB, like other health and social care partnerships, it has faced significant financial challenges and has anticipated that it will be required to operate within tight fiscal constraints into the future, due to the continuing

difficult national economic outlook and increasing demand for services.

Additional funding for Health and Social Care Partnerships has been 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 Covid-19 pandemic has meant that since March 2020 a huge amount of work has been done by Health and Social Care Partnerships to respond quickly to changing legislation and guidance to manage the virus. Services across the IJB have had to adapt rapidly and the value of partnership working has never been more evident. It is expected during 2020/21 that services will start to return to normal, but social distancing measures will remain and the longer reaching economic impact of the pandemic, while difficult to quantify, will undoubtedly lead to further fiscal pressures.

The IJB has been asked to provide details of emerging cost pressures related to Covid-19 and make projections in-line with the Scottish Government's Route Map through its Mobilisation Plan. The latest version of the IJB Mobilisation Plan, submitted 14 August 2020, estimated the financial impact to the IJB of Covid-19 for the year to 31 March 2020 at £2.467m (£0.789m Social Care services/£1.678m Health services). To date the Scottish Government has indicated £0.596m funding to support the Shetland's Social Care response to the pandemic, with up to £0.025m available to provided additional support for the Chief Social Work Officer. It is anticipated that the additional cost pressures related to Health services will be reimbursed in full by the Scottish Government to NHSS.

The IJB approved its Medium Term Financial Plan (MTFP) 2019/20 to 2023/24 on 13 March 2019. The Plan identified a likely funding shortfall over the five year period of £7.7m if no action is taken to mitigate the impact of rising costs and reducing funding. A revised MTFP is due to be presented in November 2020 following the update of SIC & NHSS MTFPs. The role of the IJB in planning and directing services will be key to addressing the financial challenges it faces into the future.

Principal Risks and Uncertainties

The IJB maintains a Risk register and reports progress on a quarterly basis as part of its performance reporting. The latest report was presented on 5 March 2020 and can be found here:

<https://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=25075>

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 10 & 11).
Failure to deliver recurring efficiency savings through service redesign proposals leaving a funding gap for the IJB.	For the first time since the inception of the IJB, the proposed payments to the IJB from the Parties for 2020/21 are equal to the cost of services. This means the IJB will start 2020/21 with a balance budget which fully aligns to its Strategic Commissioning Plan. There will still be a need for redesign and efficiencies within services which will be guided by the Medium Term Financial Plans of the IJB, SIC & NHSS.
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 2019-2022 identifies as part of the overall approach of "Right Person, Right Place, Right Time" the need for Technology Enabled Care and Improved Access to Information. The Covid-19 pandemic has accelerated this need and led to some of the perceived barriers to digital connectivity being alleviated. Digital Connectivity in many areas of Shetland is however still inadequate and activity is ongoing to secure funding and prioritise digital requirements.
Impact of the COVID-19 pandemic.	Health and Social Care Services required rapid reorganisation to deal with the initial impact of the Covid 19 pandemic. Close partnership working within IJB has been crucial to the continued delivery of essential services and management of the pandemic in Shetland. As the situation evolves the IJB will continue to respond to policy changes and guidance provided by Scottish Government and look to safely and incrementally restore services in line with the Scottish Government's 'COVID-19 Framework for Decision Making: Scotland's route map through and out of the crisis'. The IJB continues to submit statistical data and detail of emerging financial cost pressures associated with Covid-19 to the Scottish Government through regular updates to its Mobilisation Plan.
Uncertainty around the impact of withdrawal of the United Kingdom from the European Union.	The IJB considers the UK's withdrawal from the European Union (EU) as a key risk. Despite several delays to the withdrawal process, there remains a continued lack of clarity on the practicalities of leaving the EU. The IJB continues to review the latest planning assumptions and assess the potential impact from a Shetland perspective as part of its risk monitoring.

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 2020

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 Brian Chittick
 Interim Chief Officer
 24 September 2020

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 Emma Macdonald
 Chair
 24 September 2020

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 Karl Williamson
 Chief Financial Officer
 24 September 2020

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 2020 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 Council and three are Non-Executive Directors appointed by the Scottish Government to the NHSS Board. 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 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; and
- 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 SSSC 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 within SIC and NHSS. 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 have been significant changes to the voting and non-voting membership of the IJB during the year ended 31 March 2020 and up to the date of approving the accounts. A new Vice Chair was appointed in April 2020 and a new Chair was appointed in May 2020. The Chief Officer moved to a secondment role in NHS Moray in April 2020 and was replaced by an Interim Chief Officer. Details of these changes were presented to the IJB on 25 May 2020 and are included below:

Voting Member Appointments and Complete Membership Update

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=25269>

Appointment of Chief Officer and Depute Chief Officer to the IJB

<http://www.shetland.gov.uk/coins/submissiondocuments.asp?submissionid=25270>

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 May 2017 and the new Interim Chief Officer has worked for NHS Shetland from 2015 as Dental Director and more recently as Interim Medical Director and has extensive knowledge of the Health & Social Care system in Shetland.

Although the IJB was working in partnership with SIC and NHS Shetland to complete the statutory obligation under section 44 of Public Bodies (Joint Working) (Scotland) Act 2014, to review the Integration Scheme for Shetland Islands Health and Social Care Partnership, it was not completed before the deadline date of 30 June 2020. The principle cause of this delay was the Covid-19 pandemic and a revised plan is in place to complete this by 31 December 2020.

There remains one significant internal control issue which continues to be highlighted by both Internal Audit and the wider scope work of 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”. This was again evident in 2019/20 where 93% of the £1.425m savings achieved was non-recurrent in nature.

There has, however, been significant progress as evidenced in the 2020/21 IJB Budget which, for the first time, presents a fully balanced position. NHSS has agreed to fund the IJB fully from the outset as opposed to providing one off top up payments at year end. This balanced budget is a welcome development for the IJB but does not negate the need for continued focus on service redesign.

The current MTFP requires in the region of 3% savings to be achieved each year to establish a sustainable financial position for the IJB. The revision of the MTFP has been delayed due to the Covid-19 pandemic but will provide more details on the savings requirement when finalised in November 2020.

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 2019/20 the strategic internal audit management continued to be provided by Audit Glasgow (part of Glasgow City Council's internal audit function).

The internal audit plan for 2019/20 included one specific IJB related review on the set aside budget arrangements. The fieldwork has been completed with no major issues to report. 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.

The impact of Covid-19 in March 2020 was a significant event, impacting normal business operations and risk assessments. As a result of the changes to the working arrangements arising from the pandemic response, in March 2020 many of the expected systems and controls will have been subject to change. The opinion expressed in this report therefore applies only to the period before the emergency service delivery arrangements were put in

place.

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 up to the impact of Covid-19 in March 2020.

Compliance with Best Practice

The IJB complies with the CIPFA Statement on “*The Role of the Chief Financial Officer in Local Government 2016*”. 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 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 2019*”. 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 2017*”.

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Brian Chittick
Interim Chief Officer
24 September 2020

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.

.....
Emma Macdonald
Chair
24 September 2020

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 2019/20 or 2018/19.

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.

From 13 May 2019, the Chief Officer was seconded to the post of NHSS Interim Chief Executive. An Interim Chief Officer was appointed from 13 May 2019 and although the Chief Officer returned to post on 1 February 2020, the Interim Chief Officer continued in their role working alongside the Chief Officer, initially to allow for handover, but latterly to provide additional support in dealing with the Covid-19 pandemic.

The Interim Chief Officer is employed by SIC, but as with the Chief Officer role, this is a joint post with NHSS, with 50% of their cost being recharged to NHSS. The salary of senior employees of the SIC is set by reference to national arrangements and agreements. Performance appraisal and terms and conditions of service are in line with SIC policies and procedures. Formal line management is provided through the Chief Executive, SIC, but the Interim 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 below.

Remuneration

The Chief Officer and Interim Chief Officer received the following remuneration during 2019/20:

Senior Employees	Designation	2019/20	2018/19
		*Total Remuneration £	*Total Remuneration £
Simon Bokor-Ingram	Chief Officer	27,194	95,006
Jo Robinson	Interim Chief Officer	71,396	0

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

Total remuneration for 2019/20 has been apportioned based on the period each senior employee was in appointment.

The full time equivalent value of total remuneration for the Chief Officer is £95,955.

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 Interim Chief Officer participates in the Local Government Pension Scheme (LGPS) which is a funded pension scheme that receives contribution payments from both Scheme members and participating employers. From 1 April 2015, the Pension Scheme moved to a career average related earnings scheme for all scheme members.

Pension entitlement for the Chief Officer and the Interim Chief Officer for the year to 31 March 2020 is shown in the table below, together with the contribution made to this pension by the employing body .

The pension entitlement of Simon Bokor-Ingram for 2019/20 is reported jointly for the post of Director of Community Health and Social Care and Interim Chief Executive NHSS.

The pension entitlement of Jo Robinson for 2019/20 is reported jointly for the post of Interim Director of Community Health and Social Care and her substantive post, Executive Manager – Allied Health Professionals.

It is not possible to separate out the pension attributable to individual posts held by the Chief Officer and Interim Chief Officer during 2019/20, so their respective full entitlements are disclosed in the following table.

Name of Senior Official	Designation	In-Year Employer Pension Contributions		Accrued Pension Benefits			
		2019/20 £	2018/19 £	As at 31 March 2020		Increase from 31 March 2019	
				Pension £	Lump Sum £	Pension £	Lump Sum £
Simon Bokor-Ingram	Chief Officer	19,836	13,889	34,477	74,985	2,498	1,339
Jo Robinson	Interim Chief Officer	16,091	0	25,460	33,486	7,889	10,435

.....
 Brian Chittick
 Interim Chief Officer
 24 September 2020

.....
 Emma Macdonald
 Chair
 24 September 2020

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 Unaudited Annual Accounts were approved for signature by the Integration Joint Board on 24 September 2020.

Signed on behalf of Shetland Islands Integration Joint Board.

.....
Emma Macdonald
Chair
24 September 2020

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 2020.

.....
Karl Williamson
Chief Financial Officer
24 September 2020

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 2020 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 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the body as at 31 March 2020 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 2019/20 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 four years. We are independent of the body 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 body. 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 the body'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 report in a separate Annual Audit Report, 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 body'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 Joint Integration 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).
- there has been a failure to achieve a prescribed financial objective.

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

24 September 2020

Comprehensive Income and Expenditure Statement for year ended 31 March 2020

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

2018/19 Net Expenditure £000		Notes	2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
26,789	Health Services		28,491	-	28,491
22,553	Social Care Services		23,018	-	23,018
29	Corporate Services		33	-	33
49,371	Cost of Services		51,542	0	51,542
(49,912)	Taxation and non-specific grant income	4	-	(51,615)	(51,615)
(541)	(Surplus) / Deficit on Provision of Services		51,542	(51,615)	(73)
(541)	Total Comprehensive Income and Expenditure				(73)

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.

2019/20	General Fund Balance £000
Balance at 1 April 2019	(905)
Total Comprehensive Income	(73)
Increase in 2019/20	(73)
Balance at 31 March 2020	(978)

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

Balance Sheet as at 31 March 2020

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 2019 £000		Notes	As at 31 March 2020 £000
905	Other Current Assets	5	978
905	Current Assets		978
905	Net Assets		978
	Represented by:		
905	Usable Reserves	6	978
905	Total Reserves		978

The unaudited financial statements were issued on 16 July 2020 and the audited financial statements were authorised for issue by Karl Williamson on 24 September 2020.

The Annual Accounts presents a true and fair view of the financial position of the Integration Joint Board as at 31 March 2020 and its income and expenditure for the year then ended.

.....
Karl Williamson
Chief Financial Officer
24 September 2020

Notes to the Primary Financial Statements

Note 1: Critical Judgements and Estimation Uncertainty

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

Note 2: Events After the Reporting Period

The Annual Accounts were authorised for issue by the Chief Financial Officer on 24 September 2020. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in the financial statements or notes.

Simon Bokor-Ingram was seconded to Moray Integration Joint Board as their Interim Chief Officer from 18 April 2020, so it was necessary to appoint an interim Director of Community Health and Social Care to cover the expected 12 month period he will be unable to cover his permanent post, which includes his role as Chief Officer of the IJB.

Jo Robinson continued in the role of Interim Director of Community Health and Social Care (including Interim Chief Officer of the IJB) until 12 July 2020. Brian Chittick was appointed as Interim Joint Director of Community Health and Social Care with effect from 13 July 2020, for a minimum period of 10 months, including the role of Interim Chief Officer of the IJB.

Jo Robinson was appointed as Interim Deputy Director of Community Health and Social Care from 13 July 2020, which will include the role as Deputy Chief Officer. This new role will support the Interim Chief Officer and formally deputise at meetings in his absence.

The Covid-19 pandemic has had a substantial impact on IJB services and financial sustainability. It is very difficult to estimate the full financial impact the pandemic will have on the IJB, but based on the Scottish Government Coronavirus

(COVID-19): Scotland's Route Map, as at 14 August the IJB Mobilisation Plan is forecast to cost £2.467m in 2020/21. It is hoped that the Scottish Government will provide additional funding in respect of the majority of this additional cost.

Note 3: External Audit Costs

The authority has incurred the following costs in relation to the audit of the statement of accounts:

2018/19 £000		2019/20 £000
25,000	Fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor for the year.	26,560
25,000		26,560

Note 4: Taxation and Non-Specific Grant Income

2018/19 £000		2019/20 £000
21,277	Funding contribution from Shetland Islands Council	21,728
26,751	Funding contribution from NHS Shetland	28,033
1,884	Other Non-ringfenced grants and contributions	1,854
49,912	Total	51,615

The funding contribution from NHSS shown above includes £5.689m (2018/19: £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 5: Other Current Assets

As at 31 March 2019		As at 31 March 2020
£000		£000
170	Shetland Islands Council	141
735	NHS Shetland	837
905	Total	978

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 6: 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.

2018/19 £000	General Fund	2019/20 £000
(364)	Balance at 1 April	(905)
	Transfers in:	
(67)	Scottish Government Additionality Funding Underspend	(51)
(431)	Sub-total	(956)
(474)	Earmarked element of Reserve: NHSS Specific Funding Underspend	(22)
(905)	Balance at 31 March	(978)

Note 7: 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 4. The debtor balances of the SIC and NHSS with the IJB as at 31 March 2020 are detailed in Note 5.

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 8: Summary of Significant Accounting Policies

A General Principles

The Annual Accounts summarise the IJB's transactions for the 2019/20 financial year and its position as at 31 March 2020.

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; and
- 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 2020 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

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.

Glossary

While the terminology used in the Annual Accounts is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

Accounting Period

The period of time covered by the Accounts normally a period of twelve months commencing on 1 April each year. The end of the accounting period is the Balance Sheet date.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

Asset

An item having value to the IJB in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (eg cash and stock). A noncurrent asset provides benefits to the IJB and to the services it provides for a period of more than one year.

Audit of Accounts

An independent examination of the IJB's financial affairs.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

CNORIS

The Clinical Negligence and Other Risks Indemnity Scheme.

COLSA

Convention of Scottish Local Authorities.

Consistency

The concept that the accounting treatment of like terms within an accounting period and from one period to the next is the same.

Creditor

Amounts owed by the IJB for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Debtor

Amount owed to the IJB for work done, goods received or services rendered within the

accounting period, but for which payment has not been received by the end of that accounting period.

Entity

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

Post Balance Sheet Events

Post Balance Sheet events are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Government Grants

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the IJB. These grants may be specific to a particular scheme or may support the revenue spend of the IJB in general.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

IRAG

Integration Resources Advisory Group

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

Liability

A liability is where the IJB owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

LOIP

Local Outcomes Improvement Plan.

MTFP

Medium Term Financial Plan.

PMF

Provisions

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PSIAS

Public Sector Internal Audit Standards.

Related Parties

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include voting members, the Chief Officer, the Chief Finance Officer, the Heads of Service and their close family and household members

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB.

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

SOLACE

Society of Local Authority Chief Executives.

SSSC

Scottish Social Service Council

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom.



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Private and Confidential

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Interim Director: Brian Chittick
Depute Director: Jo Robinson
Your
Ref:
Our Ref: PK/IJB/2020

Date: 24/09/2020

Dear Pat Kenny,

This representation letter is provided in connection with your audit of the financial statements of Shetland Islands Council Integration Joint Board ('the entity') for the year ended 31 March 2020 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 entity as of 31 March 2020 and of the results of its operations, other comprehensive net expenditure and its cash flows for the year then ended in accordance with the applicable accounting framework as interpreted by 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 other information in the annual report, for the purposes set out in the Code of Audit Practice 2016.

We are aware that it is an offence to mislead an auditor of a public body. On behalf of the entity, I confirm as Responsible Financial Officer, to the best of my knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework, as set out in the Code of Practice on Local Authority Accounting in the United Kingdom, which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the entity are reasonable. We have made sufficient and appropriate disclosure of the general increased estimation uncertainty arising from the impact of Covid-19.

3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. 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. The impact of Covid-19 has been considered a non-adjusting event given the timing of the outbreak of the epidemic in the United Kingdom.
5. There are no uncorrected misstatements and disclosure deficiencies.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to cease operations 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 entity'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.
7. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

Information provided

8. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.
9. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
10. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware.
11. 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.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group 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.

13. 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.
14. 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.
15. 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.
16. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
17. We confirm that:
 - (i) we consider that the entity has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
18. All minutes of IJB and Committee meetings during and since the financial year have been made available to you.
17. We have drawn to your attention all correspondence and notes of meetings with regulators.
18. We confirm that all of the disclosures relating to sections of the annual report which are considered 'other information' as set out in the Code of Audit Practice 2016 have been prepared in accordance with relevant legislation and guidance.
19. We confirm that we have appropriately discharged my responsibility for the regularity of transactions.

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

Signed as Responsible Financial Officer, for and on behalf of the IJB.



Meeting(s):	IJB Audit Committee Integration Joint Board	24 September 2020 24 September 2020
Report Title:	Annual Audit Report 2019/20	
Reference Number:	CC-31-20-F	
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 2019/20 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 2019/20 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 2019/20 audit. The report summarises their finding 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 has been prepared in accordance with the statutory guidance and the information contained within is materially correct and consistent with Deloitte's knowledge acquired during the course of performing the audit.
- 4.4 Following amendment for a disclosure deficiency, Deloitte are content that the remuneration report has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014.
- 4.5 The information given in the Annual Government Statement is consistent with the financial statements and has been prepared in accordance with accounting regulations. Deloitte required a change to the significant governance issues in the year, relating specifically to the IJB's non-compliance with the Public Bodies (Joint Working) (Scotland) Act 2014, which required the Integration Scheme to be reviewed by the end of June 2020.
- 4.6 Deloitte take a risk focused approach to review of the four audit dimensions, covering relevant risks identified by Audit Scotland. Their conclusions and recommendations are set out in the report (Appendix 1) on pages 18 to 33.
- 4.7 The audit was carried out under unusual circumstances, being a remote audit conducted during the national lockdown in response to COVID-19. Deloitte recognised the extra pressure faced by the IJB in preparing the annual report and dealing with the audit. Under "Sector development", the audit report shares additional research, perspectives and best practice based on work across the wider public sector.
- 4.8 An Action plan is set out as an appendix to the report giving recommendations for improvement and providing an update on the actions from the previous year.

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:	The recommendations contained within the Audit related to the integrated workforce planning and development will be considered at the next available Joint Staff Forum.
6.3 Equality, Diversity and Human Rights:	None
6.4 Legal:	The Public Bodies (Joint Working) (Scotland) Act 2014 requires that the Health and Social Care Partnership Integration Joint Board (IJB) is subject to the audit and accounts provisions of a body under Section 106 of the Local

	<p>Government (Scotland) Act 1973. This requires the IJB to prepare and publish a set of Annual Accounts at the end of each financial year. These accounts must be reviewed by an Independent Auditor who reports their findings to the IJB Audit Committee.</p> <p>IJBs are expected to prepare their financial statements in compliance with the Code of Practice on Local Government Accounting in the United Kingdom. Further, the IJB's Annual Accounts must also be prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014.</p>	
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 Policy and Delegated Authority:	<p>Section 95 of the Local Government (Scotland) Act 1973 requires that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs.</p> <p>Shetland's Integration Joint Board (IJB) also derives its delegated authority from the Public Bodies (Joint Working) (Scotland) Act 2014, which required the parties to develop an Integration Scheme, Scheme of Administration and Financial Regulations. The 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>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, 14 September 2019

Appendices:

Appendix 1 – Deloitte's Annual Audit Report 2019/20

Shetland Islands Integration Joint Board

Report to the Audit Committee, Members of the Integrated Joint Board and the
Controller of Audit on the 2019/20 audit

Issued on 14 September for the meeting on 24 September 2020

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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 2019/20 audit. The scope of our audit was set out within our planning report presented to the Audit Committee in February 2020.

This audit was carried out under unusual circumstances, being a remote audit conducted during the national lockdown in response to COVID-19. We recognise the extra pressure faced by the IJB in preparing the annual report and in preparing for the audit. We engaged early with management on the potential implications of COVID-19 for the preparation of the annual report as well as the audit, and management confirmed their desire to stick to the original reporting timetable. While the shift to remote working placed pressure on the original timetable for preparation of the annual report and completion of the audit, we have worked closely with management to mitigate this whilst maintaining audit quality as our number one focus.

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 Accountable Officers' 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 made as a result of the 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 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 10.

No misstatements in excess of our reporting threshold of £41k have been identified up to the date of this report. We have identified one disclosure deficiency in relation to the remuneration report, set out on page 39.

Status of the financial statements audit

Outstanding matters to conclude the audit include:

- Receipt of the legal confirmation;
- Finalisation of our internal quality control procedures;
- Receipt of the final version of the annual accounts;
- Receipt of the signed representation letter; and
- Our review of events since 31 March 2020.

Conclusions on audit dimensions

As set out on page 3, our audit work covered the four audit dimensions. Our audit work was risk based and proportionate, covering each of the four dimensions.

Due to the impact of the COVID-19 pandemic and cancellation of Committee meetings up to the end of May, we did not prepare a separate interim report as planned and have instead reported our detailed findings and conclusions within this report.

The outbreak of COVID-19 has brought unprecedented challenges to organisations around the country. It is not yet known what long term impacts these will have on populations and on the delivery of public services, but they will be significant and could continue for some time. While this report makes reference to COVID-19 where relevant in each of the dimensions, we have not considered the full impact of COVID-19 on the IJB at this stage.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions (continued)

Financial Management

The IJB has a strong and consistent finance team, and the Audit Committee now takes a more active role in scrutinising the IJB's performance and financial position. We noted improvements in performance against the budget since 2018/19, although the IJB continues to face challenges in achieving its planned savings.

Further work is needed to improve the budget setting process (with a focus on outcomes) and the transparency of financial monitoring during the year. Work to ensure compliance with the IJB's obligations under the Community Empowerment Act remained outstanding during 2019/20, although we are aware of progress and planned actions in this area.

Financial sustainability

The IJB achieved short term financial balance in 2019/20 and has set a balanced budget for 2020/21. However, while progress is evident from the original Medium Term Financial Plan (MTFP), it is still faced with financial challenges in the medium to longer term, with the impact of COVID-19 increasing this risk. It is critical that this is reflected in the comprehensive review of the MTFP planned for 2020/21.

Given the risks identified in 2018/19 regarding medium-term financial planning, the Strategic Commissioning Plan, transformation work and workforce planning, and the importance of each of these areas to the IJB's sustainability, it is concerning that no progress was made in addressing the issues identified in 2018/19 during the year. The IJB should ensure progress on these areas is prioritised in 2020/21.

Governance and Transparency

The IJB has a clear vision. There has been a high level of turnover in Chief Officer and Board Member positions in the year, although transition arrangements have been in place. Appropriate governance arrangements have been put in place in response to the COVID-19 pandemic.

As the IJB has not carried out a review of its Integration Scheme within the legal timeframe, it is now in a non-compliant position with its governing legislation. This needs to be addressed as a priority.

We have not seen any improvements in the IJB's approach to development, self assessment, openness and transparency, or to enhancing the quality of its information. It is likely that significant turnover in the Chief Officer role has impacted on progress in these areas.

Value for money

The IJB has improved its performance management culture by approving a revised framework in the year. We welcome the IJB's commitment to community engagement as it progresses programmes of demand management and changes to service delivery.

Performance data has shown some areas of improved performance with other areas still representing a challenge. There are particular difficulties in relation to psychological therapies and we have serious concerns about the ability of the IJB and its partners to provide appropriate levels of service in this area. We will monitor changes in performance in this area closely in 2020/21. While addressing declines in performance is important, we do recognise that resources are currently focussed on managing the impact of COVID-19.

Our detailed findings are included on pages 18 to 33 of this report. We will consider progress with the agreed actions as part of the 2020/21 audit.

Introduction (continued)

The key messages in this report (continued)

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. Most recently, a number of articles have been published focusing on the impact of COVID-19. We have provided a summary of those most relevant to the IJB as an Appendix on pages 35 and 36 of this report.

Next steps

An agreed Action Plan is included as an Appendix on pages 40 to 47 of this report which includes a follow up of progress on previous years agreed actions. We will consider progress with the agreed actions as part of our 2020/21 audit.

In a number of cases, due to staff focusing on the COVID-19 response, we have not been provided with requested evidence to provide an update to our conclusions on the audit dimensions. We understand this and are satisfied that our report remains sufficiently comprehensive. We have made this clear where relevant throughout the report and will follow up these areas again in 2020/21.

Added value

Our aim is to add value to the Board 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 Board promote improved standards of governance, better management and decision making, and more effective use of resources.

This is provided throughout the report. In addition, as information emerges as a result of the COVID-19 pandemic, we have shared guidance with management on areas to consider in relation to internal controls, fraud risks and annual reporting. In addition, invites have been issued to our weekly webinar "Responding to COVID-19: Updates and practical steps" which are open to anyone to join.

We have also included conclusions on the IJB's Best Value arrangements, which are discussed on page 33.

Pat Kenny
Audit Director








Financial statements audit



Quality indicators

Impact on the execution of our audit

Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		There are no significant accounting judgements included in the IJB accounts, which is in line with our expectations and understanding of the IJB.
Adherence to deliverables timetable		There were significant delays in receiving information to support our work on the wider audit dimensions, due to staff focusing on COVID-19. In a number of cases, information has not been provided and we have been unable to fully update our work on the prior year. With regards to the financial statements, we were informed about and accepted a delay to production of the annual accounts and supporting evidence, which did not have a significant impact on our ability to meet the reporting timetable.
Access to finance team and other key personnel		Deloitte and the IJB have worked together to facilitate effective remote communication during the audit.
Quality and accuracy of management accounting papers		On the whole documentation provided has been a good standard. This included documentation that easily reconciled to the draft financial statements.
Quality of draft financial statements		A full draft of the annual accounts was received for audit on the 24 June 2020. The draft was of a high standard with limited changes required, although we have made recommendations for improvement which management should note for 2020/21.
Response to control deficiencies identified		No control deficiencies were identified.
Volume and magnitude of identified errors		We have not identified any financial adjustments above our reporting threshold to date. We identified only one disclosure deficiency, relating to the remuneration report, set out on page 39.



Lagging



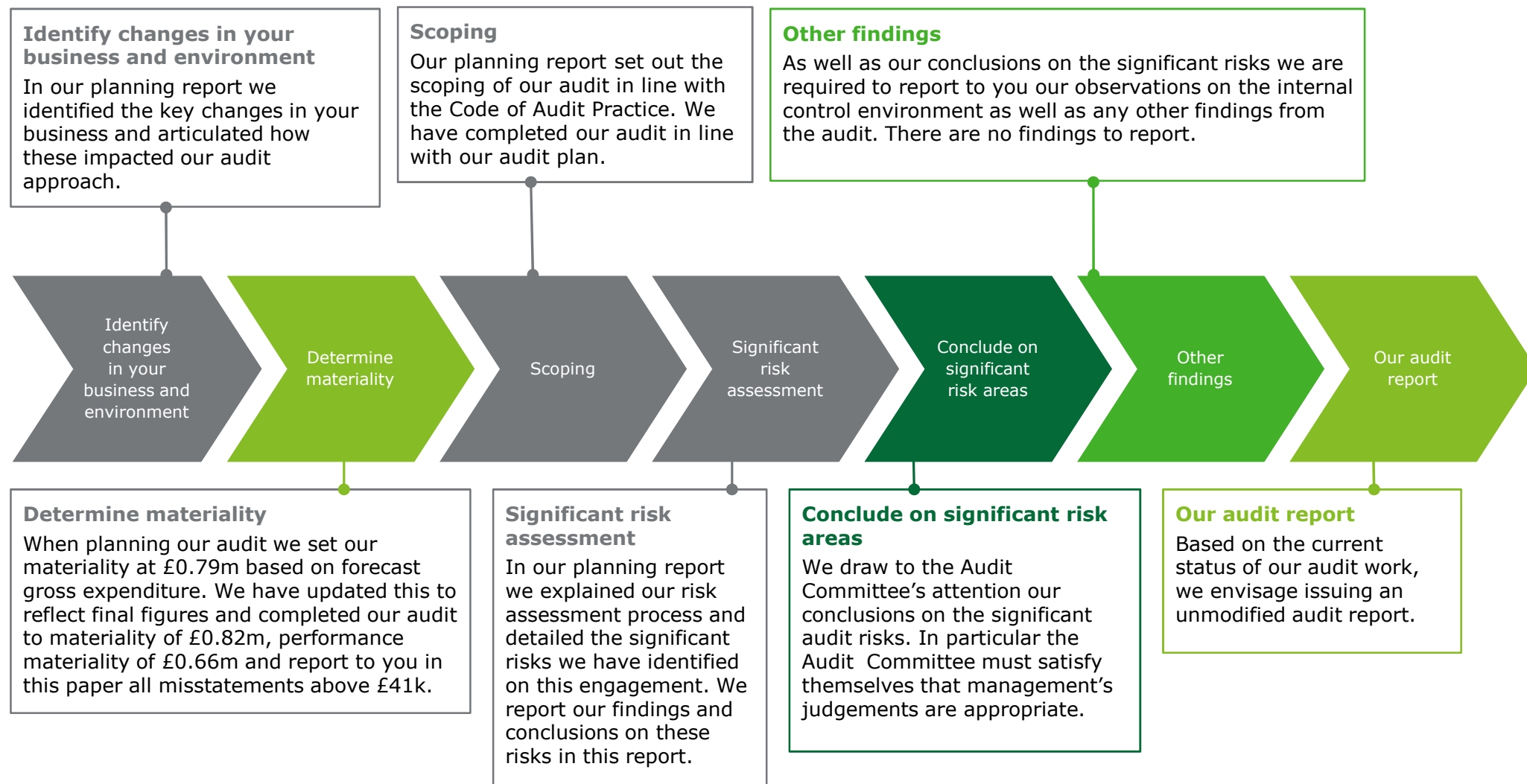
Developing



Mature







Our audit explained

We tailor our audit to your business and your strategy



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	11
Management override of controls			D+I	Satisfactory		Satisfactory	12

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 ('NHSS'). The significant risk is pinpointed to the recognition of this income, being completeness and accuracy of contributions received from SIC and NHSS.



Key judgements and our challenge of them

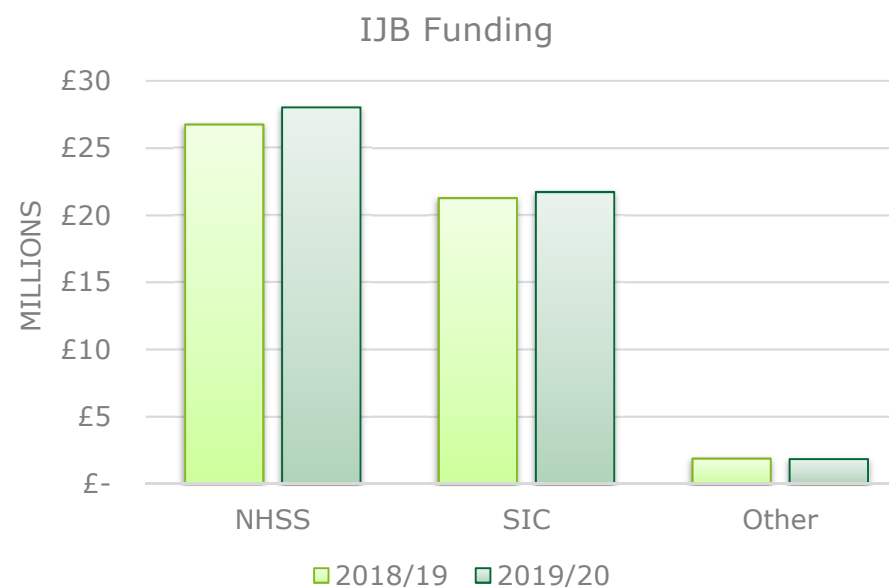
Given the year-end deficit projected by the IJB, there is a risk that overspends could be funded by funding partners in the year following their approval, and therefore contributions could differ from the approved budget.



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 2020 to confirm all income is correctly recorded in the ledger;
- confirmed that the reconciliations performed during 2019/20 have been reviewed on a regular basis; and
- assessed the design and implementation of management's controls around recognition of income.



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 judgement in the financial statements is that which we have selected to be the significant audit risk around the completeness and accuracy of income (page 11). This is inherently the area in which management has the potential to use their judgement 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 underspends in operational areas. This was closely monitored and whilst projecting underspends, 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 and judgements

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

We have not identified any significant accounting estimates and judgements 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.

Other significant findings

Financial reporting findings

Below are the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The IJB accounts have been prepared in accordance with the Local Authority Code of Practice (the Code). The accounting policies adopted are in line with the Code.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation, the need to review medium to long term plans and the need to review the Integration Scheme to ensure compliance with the IJB's governing legislation.

We will obtain written representations from the Board on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Coronavirus (COVID-19) outbreak

Impact on the annual accounts and audit

The current crisis is unprecedented in recent times. The NHS and social care sectors are most directly exposed to the practical challenges and tragedies of the pandemic, and is undergoing major, rapid operational changes in response.

The uncertainties and changes to ways of working also impact upon the reporting and audit processes, and present new issues and judgements that management and Audit Committees need to consider. We summarise below the key impacts on reporting and audit:

Impact on the IJB's annual accounts	Impact on our audit
<p>The Board need to consider the impact of the outbreak on the annual report and financial statements including:</p> <ul style="list-style-type: none">• Principal risk disclosures;• Change in the funding regime for 20/21;• Onerous contracts and any potential provisions;• Going concern; and• Events after the end of the reporting period.	<p>COVID-19 has fundamentally changed the way we have conducted our audit this year including:</p> <ul style="list-style-type: none">• Teams are primarily working remotely with some challenges in accessing 'physical' documentation and with availability of some staff;• The teams have had regular status updates to discuss progress and facilitate the flow of information;• Timetable of the audit has been shorter given the initial accounts delay whilst working towards the same reporting timetable;• Consideration of impacts on the areas of the financial statements and annual report listed has been included as part of our audit work in the current year and comments have been included where appropriate within this report; and• In conjunction with the Board, we will continue to consider any developments for potential impact up to the finalisation of our work on 24 September 2020.

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

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



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 Board has been faced with financial sustainability issues (as discussed on page 24), it achieved a balanced budget in 2019/20 and has agreed a balanced budget for 2020/21. There is also a general assumption set out in Practice Note 10 (Audit of financial statements of public sector bodies in the United Kingdom) that public bodies will continue in operation, therefore it is appropriate to continue as a going concern.



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 16.

Your annual report

We are required to provide an opinion on the auditable parts of the remuneration and staff report, the annual governance statement and whether the management commentaries are consistent with the disclosures in the accounts.

	Requirement	Deloitte response
Management Commentary	The management commentary comments on financial performance, strategy and performance review and targets. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Board also focuses on the strategic planning context.	<p>We have assessed whether the management commentary has been prepared in accordance with the statutory guidance. Minor amendments were required as a result of our audit work.</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>We have noted in our review of the annual accounts that there is significant budget variance analysis which is not required. Similarly, the IJB has utilised the reduced disclosure requirements in 2019/20 in relation to matters such as KPIs and other information. We would recommend that management reconsider the areas of recommended improvement we communicated with them in the preparation of the 2020/21 annual accounts.</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, pay bands, and exit packages, and we can confirm that following amendment for the disclosure deficiency set out on page 39, they have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that the Board governance arrangements provide assurance, are adequate and are operating effectively.	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 regulations. We have required management to make changes to significant governance issues in the year, relating specifically to the IJB's non-compliance with the Public Bodies (Joint Working) (Scotland) Act 2014, which required the Integration Scheme to be reviewed by the end of June 2020.

Audit dimensions and best value



Audit dimensions

Overview

As set out in our Audit Plan, public audit in Scotland is wider in scope than financial audits. This section of our report sets out our conclusions on our audit work covering the following areas. Our report is structured in accordance with the four **audit dimensions**, but also covers relevant risks identified by Audit Scotland.

Financial management



Financial sustainability

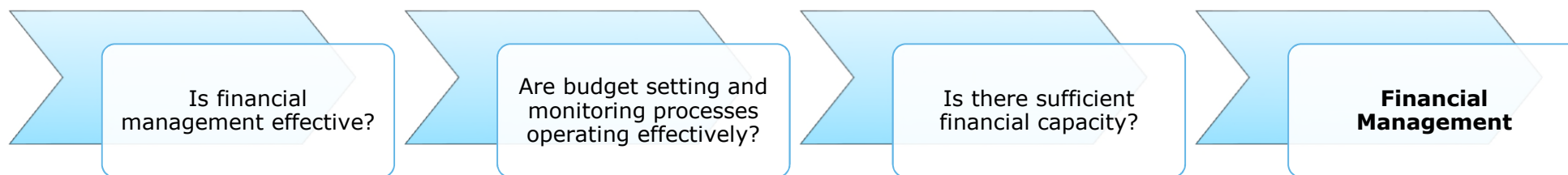
Value for money

Governance and transparency

The Islands (Scotland) Act 2018 received royal assent in July 2018. The Islands (Scotland) Act 2018 places a duty on 'relevant authorities' to have regard to island communities in exercising their functions. Relevant authorities must prepare an island communities impact assessment for any policy, strategy or service likely to have an effect on an island community which significantly differs from that on other communities. This is known as "island-proofing". The Act requires relevant authorities to publish information at least once annually detailing steps taken to comply with their duty of having regard to island communities. We have considered the implications of the Act as part of our consideration of Best Value arrangements (discussed further on page 33).

Financial management

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



Areas considered

Our approach to the audit dimensions is risk focused. We have provided an update for the Board on all areas considered in the prior year audit report. We identified the following risk in our audit plan:

"There remains a risk that the budget setting and monitoring arrangements are not sufficiently robust to ensure that the IJB operates within the delegated budgets."

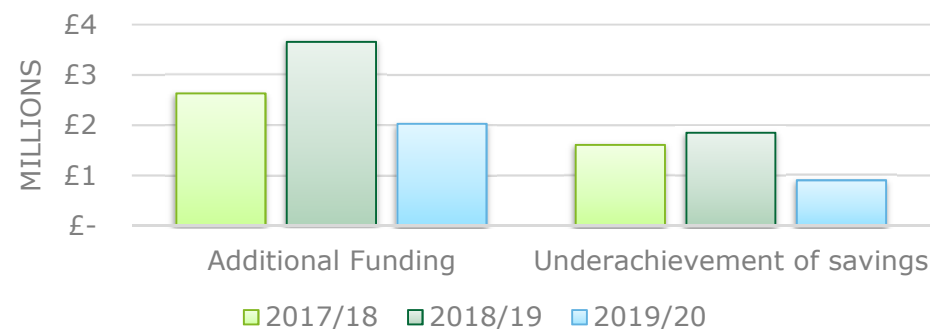
Budget monitoring

2018/19 Conclusion: The 2018/19 budget was noted, rather than approved, by the IJB. The IJB reported an overspend against budget, but recorded a surplus due to additional funding being received from NHS Shetland. Overspends were mainly driven by underachievement of savings in the recovery plan and locum costs in psychiatric, primary and unscheduled care. The IJB's reporting makes it difficult to assess financial performance due to financial monitoring reports ('FMRs') only referring to forecast, rather than actual, spend.

2019/20 Update: The IJB approved, rather than noted, its 2019/20 budget. The IJB budgeted total income of £45.648m funded by £22.019m from SIC and £23.629m from NHSS. The expenditure was budgeted to be £48.181m, which consists of £22.019m of contributions to SIC and £26.162m to NHSS which resulted in a forecast funding shortfall of £2.533m (5.3%) for the year.

As with previous years, NHS Shetland provided 'one off' funding to the IJB (totaling £2.734m in 2019/20) which enabled the IJB to achieve a year-end surplus position of £73k. As shown in the graph across, an improvement in the IJB's achievement of savings has resulted in a reduced additional funding requirement in 2019/20.

Savings and additional funding needs



The IJB's savings target for the year was £2.331m, of which £1.427m was achieved, 93% of which related to non-recurring savings. As with 2018/19, the main areas of overspend continue to be psychiatric, primary and unscheduled care, which combined represent £1.912m (77%) of the IJB's overspend against budget.

We have not noted any changes to the FMRs to better enable the IJB to monitor actual, as well as projected, performance throughout the year.

2019/20 Conclusion: While the achievement of a small surplus position at the end of March 2020 is positive, and there have been improvements since 2018/19, this masks the true position of the IJB, which reported an underachievement of its savings target, significant recurring variances against its budget and a reliance on additional funding from its funding partners. Our recommendation on improving monitoring of the actual financial position, in addition to the projected position, remains.

Financial management (continued)

Financial reporting

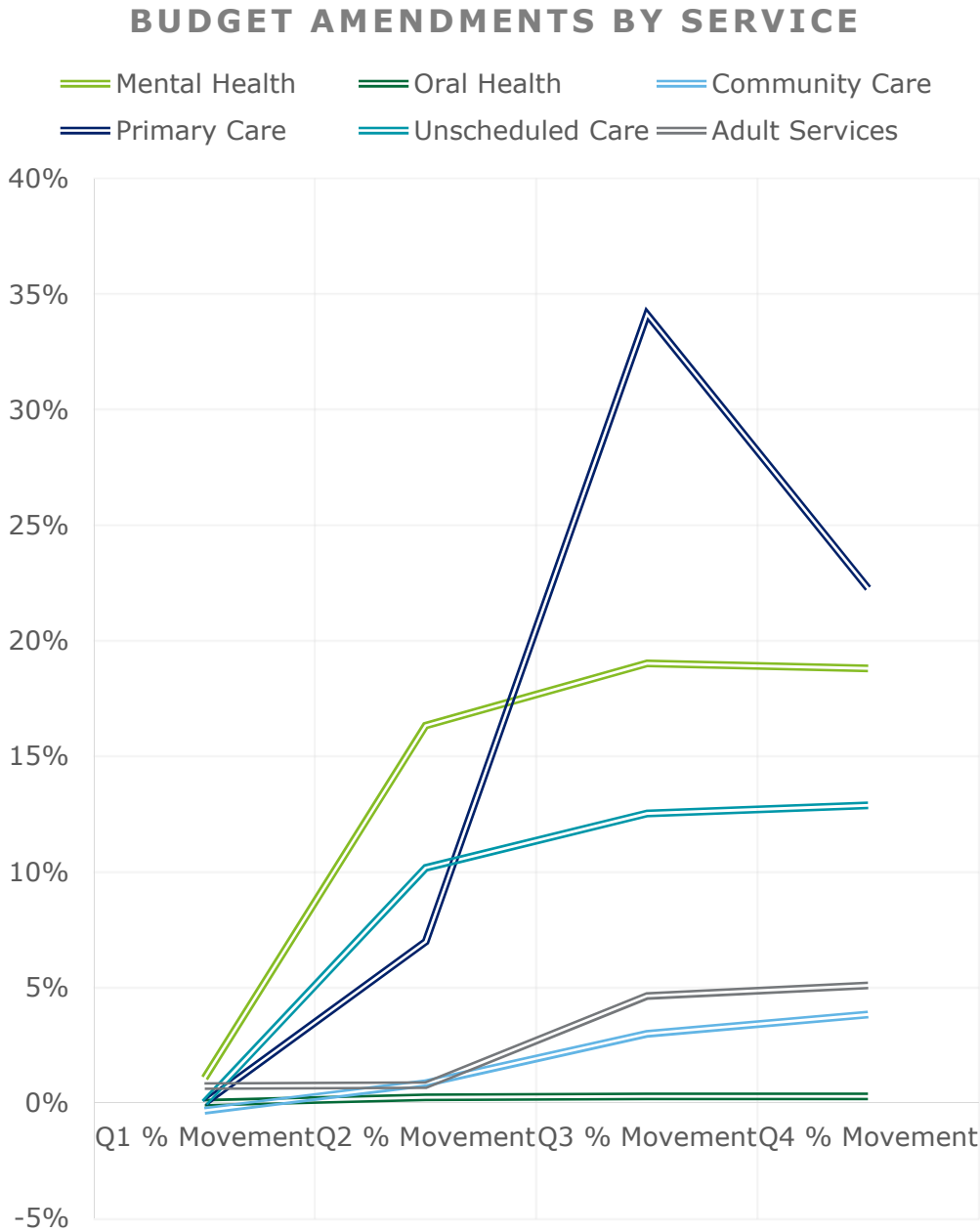
2018/19 Conclusion: Amendments to budget are made throughout the year, with these included in the FMRs. High-level narrative on the reasons for major reallocations and amendments to the budget should be included in the FMRs. We highlighted risks regarding the accuracy of budgeting and forecasting given the amount of amendments and savings being used as a 'balancing figure' in the budget. We noted that there is no committee in the IJB with responsibility for monitoring financial performance, with significant Board meeting time spent analysing the detail of IJB finances rather than focusing on strategic thinking and priority areas.

2019/20 Update: As set out on page 19, we have not noted any changes to the FMRs. This includes the lack of information being provided to the IJB on the reallocation or amendment of budgets.

As set out in the graph across, there continues to be significant revisions to the budget. Our findings in 2019/20 are similar to 2018/19, with the revisions to the budget being similar to those made in the prior year. This indicates that the revisions are foreseeable and should be accounted for in the original budget.

While we are not aware of any formal change to the terms of reference of the Audit Committee, we have noted that from November 2019, the Audit Committee has considered the IJB's performance and financial position at its meetings.

2019/20 Conclusion: We welcome the Audit Committee taking a more active role in monitoring of the IJB's performance and financial position. However, the IJB continues to make significant revisions to its budget, with these revisions being foreseeable. Amendments to the IJB's budget are not transparently presented. The IJB should make improvements to its financial reporting processes to address these concerns.



Financial management (continued)

Budget setting

2018/19 Conclusion: Financial planning is not integrated, long-term or outcome focused. Improvements to the budget setting process, linking to the Strategic Commissioning Plan and outcomes, improving engagement and linking to locality plans. The Shetland Partnership (of which the IJB is a key member) is in breach of the Community Empowerment Act, as locality plans do not exist.

2019/20 Update: The IJB has worked with its partners to develop locality plans. However, these were not developed in the year and the Partnership remains non-compliant with the Community Empowerment Act. It is expected that these will be fully developed in 2020/21.

Given that the 2019/20 budget was prepared prior to the publication of our 2018/19 report, our recommendations were not addressed in that year. In the 2020/21 budget, we have not identified any explicit links to the Strategic Commissioning Plan, outcomes or locality plans.

The budget for 2020/21 is the first in the existence of the IJB to be a balanced budget, following an increase in funding from SIC and NHSS of £2.060m and £3.028m respectively.

2019/20 Conclusion: We are pleased that the IJB is in a position to set a balanced budget for 2020/21, suggesting improvements in the integration of financial planning and enabling the IJB to take a more long-term and outcome focused approach to budgeting. However, improvements to the IJB's budget setting process, as set out in 2018/19, remain outstanding. The IJB need to closely monitor the development of locality plans, in conjunction with their partners, to ensure the IJB addresses the non-compliance with its legal responsibilities as soon as possible.

Financial capacity

2018/19 Conclusion: The IJB has suitably qualified and experienced officers leading the finance function. The IJB needs to consider the capacity of the finance function given the dual role being completed by the Chief Financial Officer. The IJB needs to consider if its leadership is appropriately resourced and supported by enough personnel and support services to deliver the strategic change necessary.

2019/20 Update: There have been no changes in the finance function in the year. The quality of reporting, subject to the recommendations made on page 20, remains appropriate.

As with 2018/19, while we are aware that capacity remains an ongoing consideration, we are not aware of a specific review considering the capacity of the finance function, the case for an IJB-specific Chief Financial Officer, or of the resources and support services provided to leadership within the IJB. Given the significant turnover within leadership positions (the loss of the Head of Planning and Modernisation in October 2019 and with three Chief Officers being in post between March 2019 and September 2020) and the loss of continuity knowledge and experience, this takes on more importance. In order to mitigate the impact on continuity knowledge and experience, the IJB retained the Interim Chief Officer appointed in May 2019 in an Interim Chief Officer position until July 2020, and subsequently in an Interim Depute Chief Officer position.

While officers within the Council and NHS who perform IJB delegated services were involved in the development and updating of the Council and NHS workforce plans, the IJB itself was not involved. It is not clear from a review of the NHS and Council workforce plans that the IJB's needs have been appropriately considered and therefore that there are sufficient plans in place to ensure an appropriate workforce is available over the medium-term to deliver the IJB's objectives.

2019/20 Conclusion: There is insufficient information for us to express a view as to whether there is, or is not, a need for an IJB-specific Chief Financial Officer and as to whether the level of support provided to the IJB is appropriate. However, a significant number of actions have not been taken forward in the year, which suggests there is an issue with capacity within the IJB at a senior level (we accept the outstanding recommendations do not all sit with the Chief Financial Officer, however, the level of outstanding recommendations is indicative of a wider capacity issue within the IJB).

The IJB needs to work with its partners to carry out this review, as set out in 2018/19, to consider if it is satisfied that it has the resources and personnel it needs to achieve its objectives. The IJB should ensure it is involved in the annual reviews of the Council and NHS workforce plans, to assure itself as to the robustness of those plans for the IJB's needs, in line with the IJB's objectives.

Financial management (continued)

Internal audit

Shetland Islands Council's Chief Internal Auditor provides the internal audit function for the IJB.

In 2019/20, internal audit carried out one IJB-specific review on the set aside budget arrangements, with no significant issues noted. A review of SIC and NHSS internal audit reports was also carried out, with no issues arising in these internal audits being specific to the IJB.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal controls. During the year, we have completed an assessment of the independence and competence of the internal audit team and reviewed their work and findings. The conclusions have helped inform our audit work, although no specific reliance has been placed on the work of internal audit.

Standards of conduct for prevention and detection of fraud and error

We have reviewed the IJB's arrangements for the prevention and detection of fraud and irregularities. Overall we found the IJB's arrangements to be designed effectively and implemented appropriately.

Deloitte view – Financial management

The IJB has achieved a surplus position in 2019/20, with improvements on performance against the budget noted since 2018/19. Improvements recommended in 2018/19 with regards to monitoring of the budget position were not actioned in the year.

We are pleased to note that the Audit Committee has taken a more active role in the scrutiny of the IJB's performance and financial position. However, we have not noted improvements to the transparency of financial reporting to the IJB in the year, despite recommendations being made in this area in 2018/19.

The IJB has a strong and consistent finance team. However, the IJB needs to consider the capacity of its finance function, the support provided to its leadership and the workforce plans developed by SIC and NHSS to ensure that these are all sufficient to support the delivery of the IJB's objectives.

While we have noted improvements in the year, the IJB continues to face challenges in achieving its planned savings. In order to ensure future financial sustainability, it is critical that the Board set realistic targets with clear plans in place, ensuring there is sufficient lead time to implement the changes required.

Financial sustainability

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.



Areas considered

Our approach to the audit dimensions is risk focused. We have provided an update for the Board on all areas considered in the prior year audit report. We identified the following risks in our audit plan:

"There is a risk that the plans for efficiency savings, achieving financial balance and service redesign are not robust enough to allow the benefits to be realised."

"There is an increased risk in achieving short term financial balance."

Short-term financial balance

2018/19 Conclusion: The IJB achieved financial balance in 2018/19, following the receipt of additional funding of £1.2m from the Scottish Government (provided through NHS Shetland) and additional funding of £3.6m provided by NHS Shetland directly. The IJB identified an 'efficiency target' of £2.28m, achieving £0.43m of these. The IJB needs to operate within the delegated budget and commission services from the Council and NHS on this basis. It is poor practice and not in line with the Integration Scheme to budget using non-existent resources where savings are not identified.

2019/20 Update: In 2019/20, the IJB again received additional funding of £1.2m from the Scottish Government, through NHS Shetland. As set out on page 19, NHS Shetland additionally provided a further £2.734m to the IJB. These actions, in conjunction with the achievement of £1.427m of savings achieved in the year, have enabled the IJB to achieve financial balance in 2019/20.

In May 2020, the IJB set its 2020/21 budget. As set out on page 21, the IJB has set a balanced budget for the first time since its inception, following significant uplifts in the funding provided by both SIC and NHSS. While there are no efficiency targets built into the IJB's budget, it has noted that it aims to deliver 3% recurring savings each year, and will need to deliver short-term savings during 2020/21 as and when the opportunities arise. These savings have not been identified in the budget and there is a risk that they will not be achieved.

In setting the budget, the IJB recognised that current developments in relation to COVID-19 are likely to incur significant additional costs, and noted that significant revisions to the budget are likely throughout the year. The IJB may need to consider emergency budget measures as the impact, financially and operationally, of mobilisation and response to COVID-19 are better understood.

The IJB developed a mobilisation plan detailing the additional activities undertaken to support its response to COVID-19, alongside the estimated financial impact. This is being monitored and updated on a regular basis, with the estimated costs associated with the IJB submitted to the Scottish Government. While the full funding allocation from the Scottish Government has not yet been confirmed, the interim allocation to address immediate social care pressures is not sufficient to fund all pressures.

2019/20 Conclusion: The IJB achieved financial balance in 2019/20. A balanced budget has been set for 2020/21, following significant uplifts in the funding provided by the Council and NHS. However, the impact of COVID-19 remains a significant risk which could impact on the IJB achieving short term financial balance.

Financial sustainability (continued)

Reserves

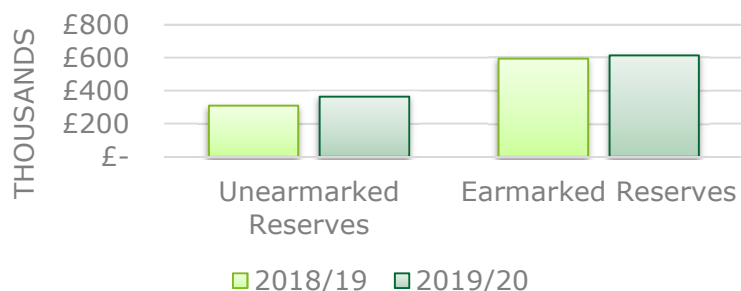
2018/19 Conclusion: The IJB has a clear Reserves Policy in place, which was approved in 2017/18. The IJB carried forward £0.431m of unearmarked reserves to 2019/20, providing some flexibility for the IJB to drive forward redesign, transformation and programmes of demand management.

2019/20 Update: The IJB reviewed its Reserves Policy in the year. The policy does not set out a reserves target, as management feel this would not be feasible when the IJB is looking to find efficiencies within budgets alongside managing increasing demographic pressures. In 2019/20, we noted that the IJB's unearmarked reserves have increased from £0.431m to £0.956m.

We note that the IJB has developed an IJB Reserve Application Form which is to be used for all future bids for funding from the reserve, which will enable the IJB to better monitor whether the use of reserves is appropriate.

2019/20 Conclusion: In line with good practice, the IJB continues to review its reserves strategy. We welcome the development of an application form for funding from reserves, which will enable improved monitoring. The IJB should give consideration to setting a budgeted contribution to reserves in future to allow the IJB greater flexibility to manage demand fluctuations and to support financial planning over the medium to longer term.

Reserves



Medium term financial sustainability

2018/19 Conclusion: The IJB developed an MTFP, forecasting a need to achieve £7.7m of recurring savings by 2023/24. The robustness of the MTFP needed substantial improvement, set out in the action plan on page 41. Work is ongoing on service redesign and business transformation, but savings are not being realised at the required levels. Overall, the IJB is not in a financially sustainable position.

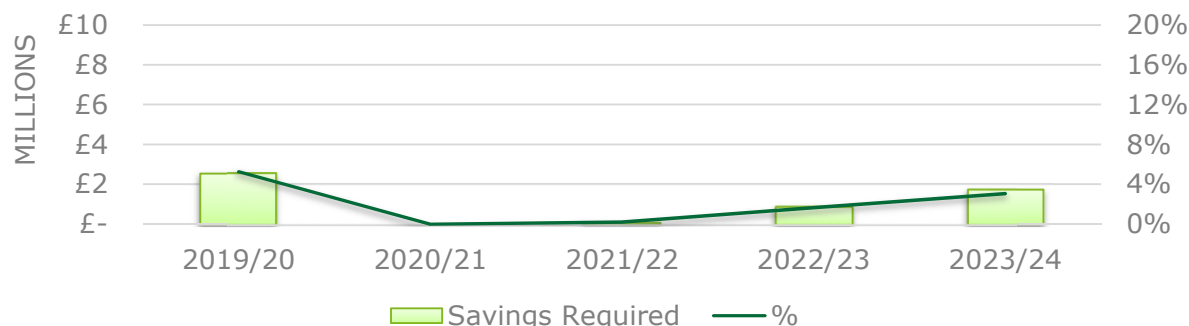
2019/20 Update: The MTFP has not been reviewed in the year, with delays initially as a result of the 2020/21 budget settlement process and subsequently COVID-19.

In 2019/20, £2.53m of savings were required, with £1.43m of savings achieved (56%). This is a significant improvement on the prior year, although there is heavy reliance on non-recurrent savings. In its 2020/21 budget, the IJB noted a significant increase in funding from both SIC and NHSS, increasing its funding from £45.648m to £50.736m. This enables the IJB to set a balanced budget for 2020/21, and reduces the funding shortfall by 2023/24 from £7.66m (14%) to £1.73m (3%). This savings target is in line with the efficiency targets set by the Scottish Government.

We are aware of the ongoing work in service redesign and business transformation, however, progress on these has not yet resulted in the release of savings.

2019/20 Conclusion: The IJB is now in a financially sustainable position. While the position of the IJB looking forward to 2020/21 has significantly improved on the same position in the prior year, this should be seen by the IJB as an opportunity to focus on appropriate changes to service delivery and demand management, managing change over the medium-term rather than needing to focus on short-term policies to achieve a breakeven position. It is important that the IJB does not perceive the improved position as evidence that change over the medium-term is not needed.

IJB Funding Gap 2019/20 - 2023/24



Financial sustainability (continued)

Medium term financial planning

2018/19 Conclusion: The IJB's MTFP should refer to the key principles of public service reform. The IJB should include the impact that decisions will have on the IJB's position against the in-year budget and the funding gap identified in the MTFP in the 'Finance Implications' section of reports. The implications of decisions on long-term outcomes and needs of the community should also be enhanced.

2019/20 Update: From our review of reports in the year – including directions issued to the Council and NHS – we have not noted any changes in the finance implications reported, with it remaining unclear what impact decisions will have on the position against the in year budget and the MTFP.

The MTFP was not revised in the year, as set out on page 24.

2019/20 Conclusion: In order to develop a culture of consideration of long-term financial sustainability, ensuring this is at the forefront of decision makers' minds, we remain of the view that the IJB should enhance the finance implications set out within its reporting where decisions will have an impact on the position agreed by the IJB in its budget or MTFP. When the MTFP is revised in 2020/21, the IJB should ensure to make reference to the principles of public service reform, setting out how the IJB intends to align its resources to these principles and monitor progress against them.

Strategic Commissioning Plan

2018/19 Conclusion: The IJB developed a Strategic Commissioning Plan covering 2019-22. The plan requires improvement in quantifying demand pressures and the resulting costs and identifying the level of transformation required, being linked to the Council and NHS programmes. The IJB needs to develop specific and detailed action plans to ensure the plan is achieved.

2019/20 Update: The Strategic Commissioning Plan was not revisited in the year. Despite the recommendations noted above, the Board took a decision in November 2019 to agree "that no separate process be undertaken to update the Strategic Commissioning Plan for 2020-23." The report underpinning this decision did not make reference to the fact that audit had identified a need to improve the plan. Further reporting was due in early 2020, although this did not occur due to the impact of COVID-19.

2019/20 Conclusion: We have not noted improvements in the year. Our conclusions from 2018/19 therefore remain relevant and appropriate in 2019/20.

Transformation work

2018/19 Conclusion: The IJB does not have a standalone transformation programme, instead relying on the Council and NHS programmes. The IJB needs to assess these programmes and consider whether they meet the IJB's needs, or consider developing its own programme. The IJB should receive reporting on progress against the programmes in relevant areas.

2019/20 Update: From review of Board and Audit Committee reports, we have not identified any reporting to the IJB on the Council and NHS transformation programmes. A number of areas of both the Council and NHS programmes are relevant to the IJB, but it is not clear that the IJB has considered whether they are sufficient.

2019/20 Conclusion: We have not noted improvements in the year. Our conclusions from 2018/19 therefore remain relevant and appropriate in 2019/20.

Workforce planning

2018/19 Conclusion: The IJB needs to work with the NHS and Council to ensure that the IJB's needs are met through their respective workforce plans. The IJB should receive reporting on how it has been involved in the development of the Council and NHS workforce plans, and how IJB needs have been built into the plan.

2019/20 Update: The IJB received no reporting on workforce planning in the year, relating either to the NHS or Council plans. While the Chief Officer was consulted in the development of both plans, the Board was not involved and has not received assurance on what the IJB's needs are, how these will be met and how any gaps will be addressed.

2019/20 Conclusion: We have not noted improvements in the year. Our conclusions from 2018/19 therefore remain relevant and appropriate in 2019/20.

Financial sustainability (continued)

Deloitte view – Financial sustainability

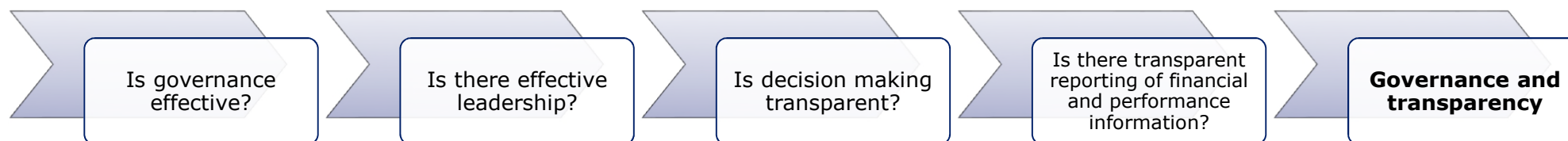
As noted on page 22, the IJB achieved short term financial balance in 2019/20 and has set a balanced budget for 2020/21. However, while progress is evident from the original MTFP, the IJB is still faced with financial challenges in the medium to longer term, with the impact of COVID-19 increasing this risk.

The current MTFP was not revisited as part of the annual budget process, although plans are in place for a comprehensive review in 2020/21. Given the risks associated with COVID-19, these will need to be taken into account in updated medium and long term plans. It is therefore critical that this comprehensive review takes place.

Given the risks identified in 2018/19 regarding medium-term financial planning, the Strategic Commissioning Plan, transformation work and workforce planning, and the importance of each of these areas to the IJB's sustainability, no progress was made in addressing the issues identified in 2018/19 during the year. The IJB should ensure progress on these areas is prioritised in 2020/21.

Governance and transparency

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



Areas considered

Our approach to the audit dimensions is risk focused. We have provided an update for the Board on all areas considered in the prior year audit report. We identified the following risk in our audit plan:

"There is a risk that the scrutiny and governance arrangements are not sufficiently robust to achieve the full benefits of integration."

Leadership and vision

2018/19 Conclusion: The IJB has a clear vision, set out in the Shetland Partnership Plan, which is clearly linked to its Strategic Commissioning Plan. The IJB has strong executive leadership.

2019/20 Update: There have been a number of changes in the IJB in the year. The Chief Officer took up the Interim Chief Executive position within NHS Shetland in April 2019, with an Interim Chief Officer appointed in May 2019. The Chief Officer returned to post in February 2020, but subsequently left on secondment in April 2020. The Interim Chief Officer appointed in May 2019 remained in that position until July 2020 when they took up the Interim Depute Chief Officer position, with a new Interim Chief Officer appointed from that date.

A new Chair was appointed in April 2019. Subsequently, a new Vice Chair was appointed in April 2020, with a new Chair appointed again in May 2020. There have also been numerous changes to the membership and Chair of the Audit Committee. These changes all occurred as a result of requirements included in the Integration Scheme to rotate the Chair and Vice Chair roles between members appointed by NHS Shetland and Shetland Islands Council.

2019/20 Conclusion: The IJB had transition arrangements in place to manage the changes in key positions, and provided training to new members of the Board. However, having such a high level of turnover risks delays to the IJB's work as new leadership and new Board members embed themselves in the work of the IJB and their new roles. The IJB and its partners should continue to monitor the high level of changes to understand if there is an underlying cause that needs to be addressed.

Development

2018/19 Conclusion: The IJB does not have a training plan at an individual officer, Member, Committee, or Board level. No skills gap analysis has been carried out, and appraisals are not carried out for Members. The effectiveness of training is not assessed. The IJB needs to fundamentally overhaul its approach to training and adopt a formal, ongoing approach to development.

2019/20 Update: While we are aware of some training provided to new members in December 2019, we were not provided with any evidence of a training plan being developed, appraisals being carried out, a skills gap analysis being performed or self-assessments of Committee or Board performance.

2019/20 Conclusion: The provision of training to new members in the year is welcome. However, we have not noted improvements in the year in relation to the development of a training plan. Our conclusions from 2018/19 therefore remain relevant and appropriate in 2019/20.

Governance and transparency (continued)

Effectiveness of governance

2018/19 Conclusion: The IJB does not have a structured approach to regular self-assessment and needs to develop a self-assessment and review programme. The IJB faces a risk from declining attendance at Board meetings.

2019/20 Update: The IJB completed a self-assessment on how it has progressed the proposals made by the Ministerial Strategic Group to improve integration. The IJB prepared a development plan, focussing on review of the Integration Scheme, the MTFP and Strategic Commissioning Plan. As set out elsewhere in this report, the IJB has not refreshed any of the above documents to date.

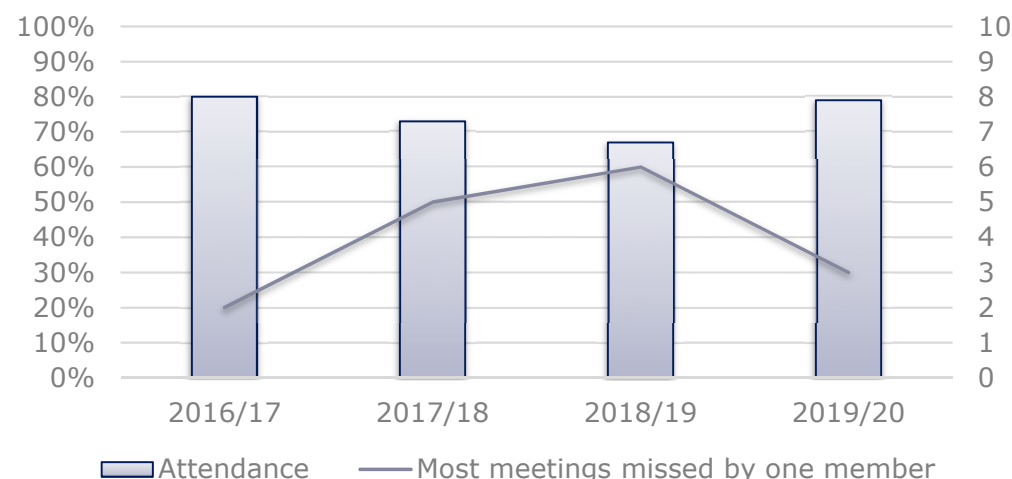
Other than this review, we have not been provided with any evidence of a self-assessment programme.

Attendance at IJB meetings has improved in the year, as shown in the graph across, from 67% in 2018/19 to 79% in 2019/20, reversing a previous trend of declining attendance. The most meetings missed by any one member has also declined from 6 (100%) to 3 (60%) in the year.

In response to the COVID-19 pandemic, all formal governance meetings were suspended and delegated authority to the Chief Officer to take operational decisions that would normally require Board approval. These arrangements have been kept under review and full Board meetings were held on 28 May 2020, 16 July 2020 and 10 September 2020.

2019/20 Conclusion: Appropriate arrangements have been put in place in response to the COVID-19 pandemic. We welcome improvements in attendance rates in the year and the preparation of a development plan in response to the Ministerial Strategic Group, although substantial work remains outstanding to progress the aims of this plan. Our view, as expressed in 2018/19, remains that the IJB needs to better establish a structured approach to self-assessment.

Attendance: 2016/17 – 2019/20



Quality of information

2018/19 Conclusion: The IJB provides extensive and timely information to Members to enable them to take decisions. The IJB should review whether the style of reporting is appropriate, and consider the detail provided in the meeting minutes. The IJB should consider webcasting of meetings.

2019/20 Update: We have not been provided with any evidence of a review of the style of reporting or documenting of the minutes of meetings being carried out in the year. While the Council has recently moved to webcasting of Council meetings, we have not noted the IJB following this route.

2019/20 Conclusion: We have not noted improvements in the year. Our conclusions from 2018/19 therefore remain relevant and appropriate in 2019/20.

Governance and transparency (continued)

Openness and transparency

2018/19 Conclusion: We concluded that in general, the IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this. We noted that the IJB should review its approach to openness and transparency, involving stakeholder engagement, to identify how it can continue its journey of continuous improvement in this area.

2019/20 Update: We have not been provided with any evidence of stakeholder surveys or engagement in assessing the IJB's approach to openness and transparency, or of any review in this area being carried out in the year.

2019/20 Conclusion: We have not noted improvements in the year. Our conclusions from 2018/19 therefore remain relevant and appropriate in 2019/20.

Commitment to improvement

2018/19 Conclusion: The IJB is required by law to carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration. The IJB should consider its approach to openness and transparency on an annual basis, and carry out annual self-assessments of its performance as a body and the effectiveness of its governance through committee and Member evaluations. These should be published through an annual self-evaluation report.

2019/20 Update: In line with the Public Bodies (Joint Working) (Scotland) Act 2014, the IJB is required to work together with the Council and NHS to formally review the Integration Scheme by the fifth anniversary of its approval, being May 2020. This review has not been completed and the IJB, along with its partner organisations, is non-compliant with the relevant legislation. The requirement for this review was communicated to all three organisations during our audits in summer 2019, and insufficient progress was made in early 2020, with planned work on this area then further delayed due to the COVID-19 pandemic.

As set out elsewhere in this report, the IJB has not carried out a review into its approach to openness and transparency and has not carried out a review of the effectiveness of its governance arrangements. A review of integration in response to the Ministerial Strategic Group was carried out. The IJB did not prepare a self-evaluation report in the year.

2019/20 Conclusion: The IJB is currently non-compliant with its responsibilities under its governing legislation and needs to address this as a priority. As set out throughout this report, there are a number of areas where we have not identified any improvement in the year, which highlights risks to the IJB's commitment to improvement.

Deloitte view – Governance and transparency

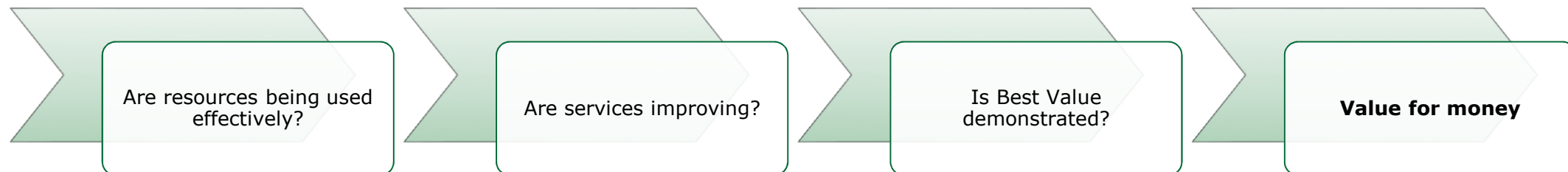
The IJB, with its partners, has a clear vision for what it wants to achieve for the people of Shetland. The transition of new Chief Officers and Board Members during the year went smoothly and appropriate governance arrangements have been put in place in response to the COVID-19 pandemic. Given the high level of turnover in these key positions in the year, we have insufficient evidence upon which to conclude whether the IJB continues to have strong executive leadership.

We have not identified any improvements in the IJB's approach to development, self assessment, openness and transparency, or to enhancing the quality of its information.

Despite highlighting the need for a review of the Integration Scheme in June 2019 – with the review required to be completed by June 2020 – progress on this through the year was slow, with further delays then caused by the impact of COVID-19 resulting in the IJB being in a non-compliant position. The IJB needs to address this as a matter of priority.

Value for money

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



Areas considered

Our approach to the audit dimensions is risk focused. We have provided an update for the Board on all areas considered in the prior year audit report. We identified the following risk in our audit plan:

"There is a risk that the scrutiny and governance arrangements are not sufficiently robust to achieve the full benefits of integration."

Performance management

2018/19 Conclusion: The IJB has a performance management framework in place, with performance regularly considered by management and the Board. While this is currently based on the existing frameworks within the Council and NHS, further work is required to provide a fully integrated suite of indicators for the IJB linked to its Strategic Commissioning Plan and the Scottish Government's National Performance Framework.

2019/20 Update: In June 2019, the IJB approved a new Performance Management Framework 2019-2024, which was jointly developed with the Council and NHS. Performance reporting to the IJB is set out against this revised framework, with reporting on Council wide indicators, health and wellbeing outcomes and national integration indicators.

2019/20 Conclusion: We welcome the preparation of a revised framework in the year, which is linked to the IJB's strategic plans, the Shetland Partnership Plan and the National Performance Framework.

Sickness absence

2018/19 Conclusion: We noted that the sickness absence information reported to the IJB differs to that reported to the Council, despite being for the same period and covering the same staff, undermining the ability of the Board to effectively monitor performance in this area.

2019/20 Update: In 2019/20, reporting to the IJB has been consistent with reporting to the Council and NHS.

Sickness absence within the IJB remains significantly higher than comparative figures for the Council and NHS. Within the IJB, sickness absence in 2019/20 was approximately 5.7%, compared to 3.7% for the Council and 3.8% for NHS Shetland. The IJB's absence rate is also higher than the Scottish Government's target rate of 4%.

2019/20 Conclusion: An increased sickness absence rate results in additional pressure on the IJB's financial position, due to the need to make greater use of locum and agency staff, and risks performance where roles cannot be filled. These impacts demonstrate why it is important that the IJB is involved in the development of the Council and NHS workforce plans, and to satisfy itself that the plans are appropriate for its needs, given that the staff performing IJB functions remain employees of the Council and NHS.

Value for money (continued)

Performance data

2018/19 Conclusion: The IJB has been performing consistently against its targets. The IJB should review its historical performance and its targets and challenge whether targets set are realistic and demonstrating a commitment to continuous improvement. While performance information is lengthy, it is highly numerical and difficult to follow with the accompanying report lacking detail and associated narrative being very high-level.

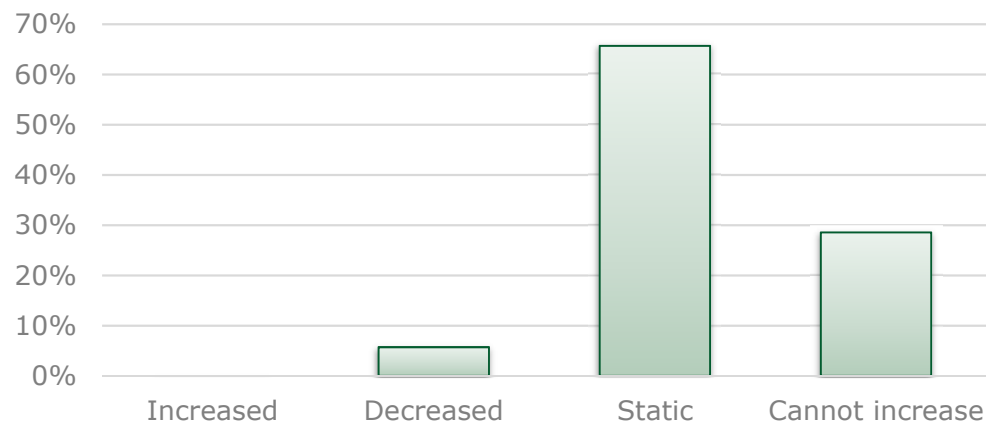
2019/20 Update: The IJB continues to perform consistently against its targets: In 2018/19, it achieved 21 targets and missed 15 and in 2019/20, it achieved 21 targets and missed 15. While the IJB has performed consistently, this is because it is meeting targets which have not changed, so while the IJB is meeting targets, this doesn't mean that performance is improving. From our review of indicators in 2019/20, we noted that performance has declined from 2018/19 in 54% of cases (improving in 29%).

In 2018/19, we noted significant declines in performance in the referral time for psychological therapies, which is a key national indicator. Performance declined from approximately 75% within 18 weeks in 2016/17 to approximately 55% in 2017/18, to 33% in Q3 2018/19. In 2018/19, management earmarked funding for an additional therapist, with alternatives being provided to some on the waiting list. The IJB noted that it had an improvement plan in place to achieve the 90% target by Q3 2019/20. Despite this, performance has continued to decline, to 16% in Q3 2019/20.

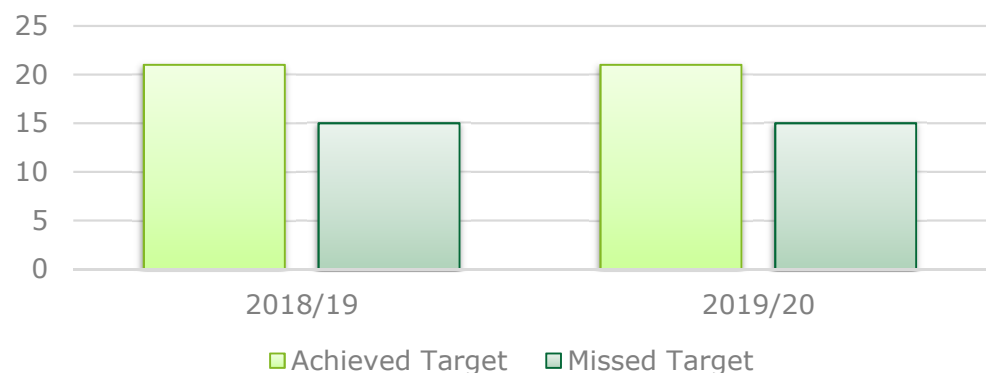
We have not been provided with any evidence of the IJB reviewing the targets set in the year. We have not identified any changes to performance reporting with the reports continuing to lack detail and being difficult to understand, undermining its usefulness.

2019/20 Conclusion: While the IJB continues to perform consistently against its targets, performance has declined in 54% of areas. While addressing this decline in performance is important, we do recognise that resources are currently focussed on managing the impact of COVID-19. We have not noted improvements in the year in relation to a review of targets or of performance information, and our conclusions from 2018/19 therefore remain relevant and appropriate in 2019/20.

Targets: 2017/18- 2019/20



Performance against target: 2018/19 - 2019/20



Performance Indicators: 2018/19 - 2019/20



Value for money (continued)

Demand management

2018/19 Conclusion: The IJB has been involved in several programmes of demand management, including in areas such as mental health, primary care, intermediate care and social care. The progress reports provided to the IJB do not enable it to effectively monitor and properly scrutinise performance in these areas.

2019/20 Update: The IJB continues to engage in programmes of demand management. We have been impressed by the level of community engagement demonstrated in the 'Caring for Bressay' project, and are highlighting this as an area of good practice. As a result of effective engagement with the community, the IJB was able to transform the healthcare delivery model for Bressay to better suit the needs of residents whilst also realising savings to be reinvested in the community.

We have not identified progress reports being presented to the IJB outlining progress in the areas set out in 2018/19 or on the 'Caring for Bressay' project (since the revised model was approved in September 2019).

2019/20 Conclusion: We welcome the IJB's commitment to community engagement as part of reviews of service delivery and commend the Board on work in this area, particularly in relation to the 'Caring for Bressay' project. As set out in 2018/19, it is important that the IJB improves how it monitors progress in these areas to identify if savings and benefits are being realised and to learn and apply any lessons learned to future programmes.

Deloitte view – Value for money

The IJB has improved its performance management culture by approving a revised framework in the year, which is linked to the IJB's strategic plans, the Shetland Partnership Plan and the National Performance Framework. We welcome the IJB's commitment to community engagement as it progresses programmes of demand management and changes to service delivery, although improvements in monitoring progress against these remains outstanding.

Performance data has shown some areas of improved performance with other areas still representing a challenge. Performance declined in 54% of cases, with improvement noted in 29% of cases. While addressing this decline in performance is important, we do recognise that resources are currently focussed on managing the impact of COVID-19.

It is important that as the Board moves to the next phase in responding to COVID-19 that it focuses on lessons learned and how some of the changes made can be sustained. It is positive to note that the IJB has already started collating this information.

Given the long-running nature of the performance issues in the area of psychological therapies and the trend of declining performance, we have serious concerns about the ability of the IJB and its partners to provide appropriate levels of service in this area. We will monitor changes in performance in this area closely in 2020/21.

Best Value

It is the duty of the IJB to secure **Best Value (BV)** as prescribed in Part 1 of the Local Government in Scotland Act 2003.

Duty to secure best value

1. It is the duty of the IJB to make arrangements which secure best value.
2. Best value is continuous improvement in the performance of the IJB's functions.
3. In securing best value, the IJB shall maintain an appropriate balance among:
 - a) The quality of its performance of its functions;
 - b) The cost to the IJB of that performance; and
 - c) The cost to persons of any service provided by the IJB for them on a wholly or partly rechargeable basis.
4. In maintaining that balance, the IJB shall have regard to:
 - a) Efficiency;
 - b) Effectiveness;
 - c) Economy; and
 - d) The need to make the equal opportunity requirements.
5. The IJB shall discharge its duties in a way that contributes to the achievement of sustainable development.
6. In measuring the improvement of the performance of an IJB's functions, regard shall be had to the extent to which the outcomes of that performance have improved.

BV arrangements

The IJB has a number of arrangements in place to secure Best Value. This is evidenced through the Strategic Commissioning Plan and performance reporting. In 2018/19, we noted a view held by management and the Board that the IJB struggles to achieve Best Value and does not have sufficient information or consider a wide enough range of areas to assure itself that Best Value is being achieved, noting in its local response to the national report on integration that "Best Value is an area that is less developed."

As noted elsewhere within this report, while there have been improvements in a number of areas, there continue to be a significant number of areas where there has been no improvement in the year and performance has dropped to unacceptable levels, or the IJB has failed to meet its legal responsibilities (for example, in relation to the Community Empowerment Act and the Public Bodies Act).

Across the 22 areas we considered in both 2018/19 and 2019/20, we identified improvements in 12 areas, with no improvement or disimprovement identified in 10 areas. As set out on page 41, we have noted that only 3 of the 16 recommendations made in our prior year audit were fully implemented in the year.

In relation to the new requirements in relation to the Islands Act, the IJB has not yet carried out islands community impact assessments and has not published information about the steps the IJB plans to take to ensure compliance with its responsibilities under the Act when they come into force.

Deloitte view – Best Value

The IJB has a clear understanding of areas which require further development. However, it is not clear that the IJB has sufficient arrangements in place to ensure continuous improvement and deliver Best Value.

Sector developments



Sector developments

Responding to COVID-19

As part of our “added value” to the audit process, we are sharing our research, informed perspectives and best practice from our work across the wider public sector.

An emerging legacy

How COVID-19 could change the public sector

While governments and public services continue to respond at scale and pace to the COVID-19 pandemic, its leaders have begun to consider how the crisis might permanently change their agencies – and seven legacies are emerging.

The COVID-19 pandemic has been uncharted territory for governments. Elected representatives, officials and public service leaders around the world are making profound decisions with no precedent to draw upon and little certainty around when the crisis will end. As French President Emmanuel Macron observed, this is a kinetic crisis – in constant motion with little time to make far-reaching decisions.

In the UK and across much of Europe, government responses have been radical and exhaustive. Health services have mobilised at scale, finance ministries have acted fast to support businesses, and the full spectrum of departments have made rapid adjustments to ensure public needs continue to be met.

While leaders across the public sector remain focused on the immediate COVID-19 threat, they are increasingly mindful of its longer-term implications – and for some, the crisis could be an inflection point for their agency. This paper explores the pandemic’s likely legacy on governments, public services and the debates that shape them.

Seven emerging legacies:

1. Our view of resilience has been recast;
2. Governments could be left with higher debt after a shock to the public finances;
3. Debates around inequality and globalisation are renewed;
4. Lines have blurred between organisations and sectors;
5. The lockdown has accelerated collaborative technologies;
6. Civil society has been rebooted and citizen behaviour may change; and
7. The legacy that still needs to be captured.

Read the full article at:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/an-emerging-legacy-how-corona-virus-could-change-the-public-sector.html>

Sector developments (continued)

Responding to COVID-19 (continued)

COVID-19: Preparing for the 'next normal'

As the COVID-19 pandemic continues to unfold there is unlikely to be a rapid or decisive transition from crisis to recovery. Organisations are more likely to face a sequence of operational environments that oscillate between restriction and relaxation, before a final end-state of relative normality.

The first phase of COVID-19 response has been characterised by significant and rapid changes in the way people live their lives and how organisations operate. Many of these changes have been government-mandated. The next phase will be an opportunity for organisations to reflect and plan for a period of uncertainty and disruption. During this period businesses will need to maintain their responsibilities to their customers and staff while modifying operations to meet changes in demand and supply as government restrictions change. They will need to ensure that their recovery is sustainable in terms of resource use and flexible enough to meet change.

Copies of this report can be accessed through the following link:

<https://www2.deloitte.com/uk/en/pages/risk/articles/preparing-for-the-next-normal.html>

COVID-19: Impact on the workforce

It's likely that the way we work will be forever changed as a result of COVID-19. All of us are seeking answers to guide the way forward. That's why Deloitte's Global and UK Human Capital practice have produced a series of articles to inform business leaders on their path to respond, recover, and thrive in these uncertain times. These articles explore the impact of COVID-19 on the workforce and are aimed at supporting HR teams as they navigate their organisation's response to the pandemic.

HR leaders, in particular, have been at the centre of their organisation's rapid response to COVID-19, and have been playing a central role in keeping the workforce engaged, productive and resilient. Understandably, recent priorities have been focused almost exclusively on the respond phase. As progress is made against respond efforts, another reality is forming quickly. Now is the time for HR leaders to turn their attention toward recover to ensure their organisations are prepared to thrive.

The latest thinking from our UK Human Capital practice is "**COVID-19 CHRO Lens: Work, Workforce and Workplace Considerations**". This workbook provides a framework to enable leaders to plan for recovery. It sets out a series of key questions across the dimensions of work, workforce and workplace, enabling organisations to plan for multiple scenarios and time horizons, as they shift from crisis response to recovery.

The workbook can be found at the following link, along with links to other articles which we would encourage you to explore.

<https://www2.deloitte.com/uk/en/pages/human-capital/articles/COVID-19-impact-on-the-workforce-insight-for-hr-teams.html>

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 (UK) 260 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; and
- Other insights we have identified from our audit.

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.

Use of this report

This report has been prepared for the 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.

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 procedures performed in fulfilling our audit plan.

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



Pat Kenny, CPFA

For and on behalf of Deloitte LLP

Glasgow | 14 September 2020

Audit adjustments

Disclosures

Disclosure misstatements

The following disclosure misstatement has been identified up to the date of this report which management have corrected. We nonetheless communicate it to you to assist you in fulfilling your governance responsibilities, including reviewing the effectiveness of the system of internal control.

Disclosure	Summary of disclosure requirement	Quantitative or qualitative consideration
<i>Remuneration Report</i> The Remuneration Report is required to disclose the actual remuneration received by the Chief Officer. The disclosure should specifically relate to their period in post, and not include remuneration for other positions held. Due to changes in the Chief Officer role in the year, the disclosure in relation to the Interim Chief Officer was incorrectly apportioned. The remuneration disclosed has been revised from £63,171 to £71,396. The disclosure in relation to the Chief Officer was incorrect and revised following audit from £27,776 to £27,194.	Local Authority Accounts (Scotland) Regulations 2014 – Remuneration of Chief Officer	This disclosure is considered qualitatively material given that it relates to compliance with legislation and is a key regulatory focus area.

Action plan

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
<i>Financial Sustainability</i>	The IJB should ensure it is involved in the reviews of the Council and NHS workforce plans and receives reporting on how these workforce plans will meet the IJB's needs.	A report will be presented to the IJB on an annual basis, outlining the NHS and Council workforce planning arrangements and any points of note for or risks to the IJB.	Chief Officer	31/03/2021	High
<i>Financial sustainability</i>	The IJB should receive reporting on the Council and NHS transformation programmes and how these are specific to the IJB's needs. The IJB should specifically consider whether the Council and NHS transformation programmes are sufficient, or whether it should develop a standalone transformation programme.	<p>NHS Shetland's Project Management Office (PMO) will report on all transformation programmes across the health & social care system.</p> <p>A standard quarterly report will be created by the PMO that can be presented to various Boards/Committees to avoid duplication of work.</p> <p>The report will clearly link these projects to the Strategic Commissioning Plan, Medium Term Financial Plan and Directions.</p>	Public Health & Planning Principal (NHSS)	31/03/2021	High

Action plan (continued)

Follow up on 2018/19 Action Plan

We have followed up the recommendations made in our previous year reports and note that only 3 of the total 16 recommendations made have been fully implemented. We will continue to monitor the 13 that have not been fully implemented as part of our 2020/21 audit work.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Financial Sustainability	<p>The MTFP should be made more robust, giving specific consideration to the following:</p> <ol style="list-style-type: none"> 1. Include scenario analysis and risk assessments of assumptions. 2. The MTFP needs to outline the options available to the IJB to address the funding gap. 3. The MTFP should outline how the IJB intends to use its resources to deliver the Strategic Commissioning Plan. 4. The MTFP should make reference to the key principles of public service reform - prevention, performance, partnership and people - and how these key principles are reflected in the IJB's financial planning, and how the IJB intends to align its resources to these key principles and monitor progress against them. 	<p>The Strategic Commissioning Plan (SCP), which is refreshed annually will be the primary mechanism for addressing these recommendations. However, the MTFP will be updated annually so that it is aligned to the SCP.</p> <p>This is an ongoing iterative process where the SCP and MTFP are interdependent.</p>	Chief Financial Officer	31/03/2020	High	<p>Not implemented: The IJB has not revised its MTFP in the year, with subsequent delays due to COVID-19. The IJB intends to update its MTFP in 2020/21, and we encourage management to implement these recommendations when doing so.</p> <p>Updated management response: The IJB MTFP has been delayed due to the COVID-19 Pandemic. The plan will be aligned to the SIC MTFP which is due to be finalised in November 2020.</p> <p>Updated target date: 31/03/21</p>
	<p>The IJB needs to have annual self-assessments of governance arrangements, committee and Board performance. The IJB should agree a structured self-assessment and review programme.</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	High	<p>Not implemented: The IJB has not performed self-assessments or agreed a self-assessment programme as set out in this recommendation.</p> <p>Updated management response: This will be addressed during this year with the NHS Shetland who undertook the last assessment on behalf of the Board.</p> <p>Updated target date: 31/03/21</p>

Action plan (continued)

Follow up on 2018/19 Action Plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Value for Money	The IJB should review its historical performance and its targets and challenge whether targets set are realistic and demonstrating a commitment to continuous improvement.	As the IJB is a relatively small organisation with limited resources this recommendation will be addressed through existing mechanisms.	Chief Officer	30/03/2020	High	Not implemented: The IJB has not reviewed the targets set in the year or developed an improvement plan.
	To demonstrate a focus on improving performance and outcomes, the IJB should develop an Improvement Plan. This Improvement Plan should informed by service self-assessments, stakeholder surveys and national reports.	The annual refresh of the SCP, subsequent directions and the Performance Management Framework will represent a continuous improvement cycle.				Updated management response: KPIs from the Strategic Commissioning Plan will be benchmarked and linked to Directions which are issued annually. Updated target date: 31/03/21
Value for Money	The IJB should review its historical performance and its targets and challenge whether targets set are realistic and demonstrating a commitment to continuous improvement.	As the IJB is a relatively small organisation with limited resources this recommendation will be addressed through existing mechanisms.	Chief Officer	30/03/2020	High	Not implemented: The IJB has not reviewed the targets set in the year or developed an improvement plan.
	To demonstrate a focus on improving performance and outcomes, the IJB should develop an Improvement Plan. This Improvement Plan should informed by service self-assessments, stakeholder surveys and national reports.	The annual refresh of the SCP, subsequent directions and the Performance Management Framework will represent a continuous improvement cycle.				Updated management response: KPIs from the Strategic Commissioning Plan will be benchmarked and linked to Directions which are issued annually. Updated target date: 31/03/21

Action plan (continued)

Follow up on 2018/19 Action Plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
<i>Financial Management</i>	The IJB should delegate authority to a committee to review and report to the Board on financial performance to better spread workload, free up time in Board meetings, improve the scrutiny of financial performance and enhance the importance attached to committees by the IJB.	As the IJB is a relatively small organisation with limited resources this recommendation will be addressed through existing committee structures. IJB agendas and chairing technique will be reviewed to allow greater scrutiny of financial reports.	Chief Officer	31/03/2020	Medium	<p>Not implemented: There have been no changes in the year.</p> <p>Updated management response: Consideration will be given to delegating responsibility for scrutinising financial performance to the Audit Committee.</p> <p>Updated target date: 31/03/21</p>
<i>Financial Sustainability</i>	<p>The Strategic Commissioning Plan should be reviewed to include:</p> <ol style="list-style-type: none"> 1. Quantification of demand pressures and the resulting costs in a 'no change' environment, linked clearly to the MTFP. 2. Identification of the level of transformation required, linked to NHS Shetland's and Shetland Islands Council's transformation programmes. 3. Specific, detailed action plans need to be developed and linked to the plan to ensure it is achievable. 	<p>The SCP, which is refreshed annually, will address these recommendations. The MTFP will be updated annually so that it is aligned to the SCP.</p> <p>This is an ongoing iterative process where the SCP and MTFP are interdependent.</p>	Chief Officer	31/03/2020	Medium	<p>Not implemented: The Strategic Commissioning Plan was not reviewed in the year.</p> <p>Updated management response: The update of the SCP has been impacted by the COVID-19 pandemic. A light touch refresh will be completed during 2020/21.</p> <p>Updated target date: 31/12/20</p>

Action plan (continued)

Follow up on 2018/19 Action Plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Financial Management	<p>A number of improvements are required to the budget setting process:</p> <ol style="list-style-type: none"> 1. There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan. 2. There needs to be improved links between the budget and outcomes. 3. The IJB should work with the Board to identify what engagement is necessary as part of the budget setting process. 4. Funding allocations should be based on need, and the IJB should challenge allocations which are not. 5. The budget is required to be linked to locality plans. The IJB is not complying with this requirement as no locality plans exist. 6. The IJB should maintain a central record of all queries received on the budget and answers provided, with this being publicly available. 	<p>The SCP, which is refreshed annually, will be the primary mechanism for addressing these recommendations.</p> <p>The budget setting process will be reviewed during 2019/20 to ensure the budgets are aligned to need.</p> <p>There is an ambition to maintain core records within the new website which is currently under development.</p>	Chief Financial Officer	31/03/2020	Medium	<p>Partially implemented: IJB funding is now based on need and the IJB has set a balanced budget for 2020/21, with Directions clearly linking budgeted expenditure to expected priorities and outcomes. Further work is required in linking the budget to locality plans.</p> <p>Updated management response: No progress has been made in linking the budget to locality plans in 2019/20 and the IJB will look to address this in 2020/21.</p> <p>Updated target date: 31/03/21</p>
Governance & Transparency	<p>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 IJB, work in conjunction with the Board 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. The IJB should specifically consider a joint development programme with the NHS and Council to improve understanding and integration.</p>	<p>This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.</p>	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium	<p>Partially implemented: Seminars have been arranged, although a training plan has not been developed.</p> <p>Updated management response: A significant number of seminar and information sharing events have been undertaken in year. Development of a training plan going forward will be undertaken as part of the governance review.</p> <p>Updated target date: 31/03/21</p>

Action plan (continued)

Follow up on 2018/19 Action Plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Governance & Transparency	The IJB should carry out annual reviews of how open and transparent it is, seeking the views of the wider community. The IJB should carry out regular stakeholder surveys to help inform its approach to openness and transparency.	This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium	Not implemented: The IJB did not carry out a review into how open and transparent it is in 2019/20.
	The results of these reviews should be made publicly available through the publication of an Annual Self-Evaluation Report.	There is an ambition to maintain core records within the new website which is currently under development.				Updated management response: Although a review was not carried out one improvement which should flow from a project being undertaken by SIC is the opening up of public meetings to greater attendance through virtual means and the capacity to record and publish meetings to the wider public. This has a project completion date in 2020/21 and implementation soon thereafter subject to an investment decision by SIC. Updated target date: 31/03/21
Governance & Transparency	The IJB should consider developing its own website, to improve the level and accessibility of publicly disclosed information and clearly demonstrate to stakeholders and the wider public what the IJB is responsible for and how it is driving improvement across the health and social care system.	SIC is currently refreshing its internet platform and the IJB will have its own website within this system.	Chief Officer	31/03/2020	Medium	Not implemented: The IJB does not have its own website and has not adopted webcasting of its meetings in the year. Updated management response: Test website in place with go live date of 31 October 2020. Updated target date: 31/10/20

Action plan (continued)

Follow up on 2018/19 Action Plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Governance & Transparency	<p>The IJB is required by law to carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration. This review needs to:</p> <ol style="list-style-type: none"> 1. Ensure that there is agreement of responsibility and accountability arrangements. 2. Clearly set out roles and responsibilities of each of the parties. 3. Address any perceived lack of clarity in the Integration Scheme and set out how local arrangements will work. 4. Establish, communicate and enforce a clear governance structure, outlining who is responsible for service performance and quality of care. 	<p>The IJB will carry out a formal review of its Integration Scheme by the fifth anniversary of its adoption, identifying and assessing potential changes which could improve integration.</p>	Director of Corporate Services (SIC)	15/11/2020	Medium	<p>Not implemented: The IJB has not completed a review of the Integration Scheme and is now non-compliant with its obligations under its governing legislation. This is now a 'high' priority.</p> <p>Updated management response: The review of the Integration Scheme was significantly impacted due to the COVID-19 pandemic but is now a priority task.</p> <p>Updated target date: 31/12/20</p>
	<p>Progress reports provided to the IJB should make it clear:</p> <ol style="list-style-type: none"> 1. What work has been undertaken to date; 2. What work is still to be completed; 3. Why there are revised due dates (if any) and the financial impact this has had; and 4. Whether or not the action has been completed on time, and if not, what lessons have been learned and remedial actions taken. 	<p>This recommendation will be addressed through the IJB Performance Management Framework 2019-2024.</p>	Chief Officer	31/03/2020	Medium	<p>Not implemented: We have not identified any progress reports presented to the IJB in the year.</p> <p>Updated management response: This recommendation is to be addressed through the Performance Management Framework 2019-24 which was approved by the IJB in June 2019.</p> <p>Updated target date: 31/03/21</p>

Action plan (continued)

Follow up on 2018/19 Action Plan (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Governance & Transparency	The IJB should review whether the style of reports used and is appropriate. Covering reports should identify the key matters being considered and the implications of decisions.	This recommendation will be addressed through the IJB Governance Review which features in the IJB Business Programme.	Executive Manager, Governance & Law (SIC)	31/12/2019	Medium	<p>Not implemented: We have not received any evidence of a review into the style of reporting, and noted no changes in covering reports in the year.</p> <p>Updated management response: Although a review of reporting styles was not completed in year, focus was diverted to ensuring that the template for authors included prompts to directly address the need or otherwise to recommend any necessary new Directions (or variation of existing Directions) arising from the subject-matter of a report so as to give effect to the IJB's legal requirements and statutory Guidance.</p> <p>Updated target date: 31/03/21</p>

Our other responsibilities explained

Fraud responsibilities and representations



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 or group.

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 risk of fraud in relation to completeness and accuracy of income and management override of controls as a key audit risk 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.

Concerns:

No issues to report.



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 the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the Board and our objectivity is not compromised.
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Fees	The audit fee for 2019/20, in line with the expected fee range provided by Audit Scotland, is £26,560, as analysed below:
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	£
Auditor remuneration	18,300
Audit Scotland fixed charges:	
Pooled costs	1,790
Contribution to PABV	5,360
Audit support costs	1,110
Total fee	26,560

No non-audit services fees have been charged for the period.

Non-audit services	In our opinion there are no inconsistencies between the FRC's Ethical Standard 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.
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Relationships	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.
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We are not aware of any relationships which are required to be disclosed.

Quality of public audit in Scotland

Annual report 2018/19

Audit Scotland published its annual assessment of audit quality carried out on the audit work delivered by Audit Scotland and appointed firms. A copy of the full report is available: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-201819>

Public audit in Scotland

Recent high-profile corporate collapses in the private sector have led to considerable scrutiny of the audit profession. The Brydon review is looking into the quality and effectiveness of the UK audit market. The Kingman review, the Competition and Markets Authority market study of the audit services market and the Business, Energy and Industrial Strategy Committee's report on the Future of Audit have all reported on structural weaknesses in the private sector audit regime. The reviews are placing a strong focus on the need for independence of auditors from the bodies they audit.

The public audit model in Scotland is fundamentally different to the private sector audit regime and is well placed to meet the challenges arising from the reviews of the auditing profession. Public audit in Scotland already operates many of the proposed features to reduce threats to auditor independence including:

- independent appointment of auditors by the Auditor General for Scotland and Accounts Commission
- rotation of auditors every five years
- independent fee-setting arrangements and limits on non-audit services
- a comprehensive Audit Quality Framework.

The Audit Scotland Audit Quality and Appointments (AQA) team will continue to develop its activities to provide the Auditor General for Scotland and Accounts Commission with assurance about audit quality. The Audit Quality Framework will be refreshed to take account of the findings from the first two years of its application and to reflect on the developments in the wider audit environment. Further development is planned over the following year to include:

- enhancing stakeholder feedback
- reviewing the structure and transparency of audit quality reporting.

Key messages

The programme of work carried out under the Audit Quality Framework provides evidence of compliance with auditing standards and the Code of audit practice (the Code), together with good levels of qualitative performance and some scope for improvements in audit work delivered in the period 1 April 2018 to 31 March 2019.

Independent external reviews of audit quality carried out by The Institute of Chartered Accountants of Scotland (ICAS) show evidence of compliance with expected standards:

- ICAS did not identify any concerns with audit opinions
- 55 per cent of financial audit files reviewed by ICAS over the last two years were graded as limited improvement required, the remaining reviews were graded as improvement required (*100% of Deloitte files – limited improvement*)
- ICAS noted considerable improvements in the documentation of performance audits and Best Value assurance reports.

Other performance measures showing good performance include:

- 78 per cent of internal reviews of financial audits in the last two years required only limited improvements (*100% of Deloitte internal reviews graded as no improvement required*)
- all audit providers have a strong culture of support for performing high-quality audit
- stakeholder feedback shows audit work has had impact
- non-audit services (NAS) are declining in number and value and requests made complied with the Auditor General for Scotland and Accounts Commission's NAS policy.

AQA monitors progress against areas for improvement. A common area for improvement in the last two years has been the need for better documentation of audit evidence. In 2018/19 further areas for improvement were identified in:

- the use of analytical procedures
- the application of sampling.



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