

Western Isles Integration Joint Board

2020/21 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

Prepared for Western Isles Integration Joint Board and the Controller of Audit

December 2021

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Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 Limited progress was made on prior year recommendations as the IJB prioritised Covid-19 recovery

Financial management and sustainability

- 3 A planned budget deficit of £3 million was to be met from savings and reserves, but in-year budget increases for Covid-19, unspent funding, and staff vacancies meant that the IJB underspent by £3.9 million in 2020/21
- 4 £1.8 million of unspent Covid and other funding has been added to IJB reserves
- 5 Only 25 per cent of achieved savings are recurrent and next year's budget deficit is £3.8 million, which is yet to be met through planned savings
- 6 Medium-term financial plans project a cumulative £6.6 million deficit by 2023/24, if recurring savings are not identified

Governance, Transparency and Best Value

- 7 The IJB needs to publish a three-year Strategic Plan to set out objectives and how services will be delivered.
- 8 The last best value self-assessment was carried out in 2019
- 9 An integrated workforce plan is not expected to be completed by March 2022

Introduction

1. This report summarises the findings from our 2020/21 audit of Western Isles Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit Committee meeting on 27 April 2021. This report comprises the findings from:
 - an audit of the Western Isles IJB's 2020/21 annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The global coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. The ways in which services were delivered were impacted. Additional funding was received from both parent bodies to meet additional costs of service delivery during the year, and unspent Covid funding will be utilised in 2021/22 to support transformational change.

Adding value through the audit

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

Responsibilities and reporting

5. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice and supplementary guidance, and International Standards on Auditing in the UK. As public sector auditors, we give independent opinions on the annual accounts. Additionally, we conclude on the

appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, and the financial position and arrangements for securing financial sustainability. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

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

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

Auditor Independence

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

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

11. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

1. Audit of 2020/21 annual accounts

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

Main judgements

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

Limited progress was made on prior year recommendations as the IJB prioritised Covid-19 recovery

Our audit opinions on the annual accounts are unmodified

12. The annual accounts for the year ended 31 March 2021 were approved by the IJB on 16 December 2021. As reported in the independent auditor's report:

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

Audit completion was delayed by the Covid-19 pandemic

13. The unaudited annual accounts were received in line with our agreed audit timetable on 14 June 2021.

14. The audit process continues to be affected by Covid-19, with resource pressures and increased time required to complete the audit. This includes our work on the financial systems in the partner audits of NHS Western Isles and Comhairle nan Eilean Siar and resulted in the audit being extended into December 2021.

Overall materiality is £0.79 million

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

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

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

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£0.79 million
Performance materiality	£0.45 million
Reporting threshold	£25,000

Source: Audit Scotland

Appendix 2 identifies the main risks of material misstatement and our audit work to address these

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

We have one significant finding to report on the annual accounts

19. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have one significant finding on the annual accounts, and this is summarised in [Exhibit 2](#).

Exhibit 2**Significant findings from the audit of the financial statements**

Issue	Resolution
<p>1. Annual Governance Statement</p> <p>Regulation 5 of the Accounts Regulations requires local government bodies to publish an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework 2016 (the good governance framework).</p> <p>This framework requires the Annual Governance Statement to address how the IJB has responded to governance matters raised in the prior year statement.</p> <p>Our review of the Annual Governance Statement found that this requirement had not been fully met.</p>	<p>The audited governance statement now includes a section addressing action taken and/or to be taken on governance matters raised in our 2019/20 Annual report.</p>

Limited progress was made on prior year recommendations as the IJB prioritised Covid-19 recovery

20. The IJB has made limited progress in implementing our prior year audit recommendations. Six of the nine recommendations remain outstanding with one completed. The remaining two are substantially and partially completed. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management and sustainability

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

Main judgements

A planned budget deficit of £3 million was to be met from savings and reserves, but the IJB underspent by £3.9 million

The underspend is attributed to the late receipt of covid monies and other specific funding in February and March 2021 that could not be spent, as well as staff vacancies

£1.8 million of unspent Covid and other funding has been added to IJB reserves

Only 25 per cent of achieved savings are recurrent and next year's budget deficit is £3.8 million, which is yet to be met through planned savings

Medium-term financial plans project a cumulative £6.6 million deficit by 2023/24, if recurring savings are not identified

The 2020/21 budget deficit of £3 million was to be met from savings and reserves

21. The IJB approved its 2020/21 budget in March 2020.

22. The budget included net expenditure of £67 million, funding of £64 million from parent bodies, and a funding gap of £3 million. Plans to address this gap included savings of £2.4 million to be achieved through the financial efficiency plan and a transfer of £0.6 million from reserves.

The budget increased by 9 per cent to reflect additional covid and NHS allocations

23. Total funding to the IJB rose from £64 million to £70 million during 2020/21. £3.2 million of Covid-19 funding was added to the initial budget and there were significant increases to the Community Management; GMS and FHS budgets and to community nursing.

The IJB returned a £3.9 million underspend in 2020/21 due to unspent funding, staff vacancies, and efficiencies

24. The IJB returned an underspend of £3.9 million against a budgeted breakeven position ([Exhibit 3](#)). Unfilled vacancies and other service efficiencies account for £2.1 million of the underspend against the 2020/21 budget.

Exhibit 3

Performance against budget

IJB budget summary	Budget £m	Actual £m	Variance £m
NHS Western Isles	48.7	47.5	1.2
Comhairle nan Eilean Siar	21.3	18.6	2.7
Total Net Expenditure	70.0	66.1	3.9

Source: WI IJB Annual Accounts 2020/21

25. Homecare services underspent by £0.7 million with most of this attributed to staff vacancies. At 31 March 2021, the service had 23 vacant posts from an establishment of 202, reflecting an 11 per cent vacancy rate.

26. £0.9 million of the underspend is due to further vacancies in Nursing. This includes Community Nursing (£0.2 million), Dental Services (£0.3 million), Acute Nursing (£0.2 million) and Mental Health (£0.2 million). At 31 March 2021 Acute Nursing had 20 vacancies (15 per cent vacancy rate) and Mental Health Nursing had 11 vacancies (22 per cent vacancy rate).

27. Adult Care and Support services underspent by £0.4 million. This is attributable to the Financial Efficiency Plan and £0.2 million efficiency saving arose from reduced costs of adult mainland placements.

£1.8 million of unspent Covid and other funding has been added to IJB reserves

28. Due to the late receipt of additional Covid, winter pressure, and other specific funding that could not be spent in the year, £1.8 million was transferred to the IJB reserves. These monies are classed as either earmarked or are specific reserves for projects to be undertaken in 2021/22 and beyond. These reserves are identified to support transformational change in service delivery as the Board emerges from the pandemic.

29. Digital Innovation and Infrastructure reserves of £2.3m carried forward from 2019/20 have not been spent in 2020/21.

30. General reserves that are available to support future budgets increased by £0.9 million to £1.5 million.

The IJB spent £2.4 million on Covid-19 in 2020/21

31. The IJB received £3.2 million of Covid and winter pressure related funding in 2020/21. £2.2 million was for Comhairle delegated functions and £1.0 million for NHS services.

32. Covid related expenditure in the year amounted to £2.4 million with the remaining £0.8 million held as earmarked reserves at year end.

33. The single largest cost of the pandemic to the IJB was in employing temporary staff. This accounted for an additional £0.7 million expenditure. £0.3 million was spent on costs incurred by external social care providers. Increased FHS prescribing costs and community hubs each accounted for a further £0.3 million and local PPE costs incurred, prior to the hub system, were £0.2 million.

£2.5 million was saved through the Financial Efficiency Plan

34. The IJB slightly exceeded its target of financial efficiency plan savings. Some planned savings were not achieved, but these were matched by higher than anticipated savings in other areas.

35. Healthcare achieved a saving of £1.2 million against planned savings of £0.7 million with £0.3 million of this in dental services, where savings were achieved through unfilled vacancies due to reduced service provision during the pandemic, and reduced material costs.

36. Care services achieved £1.3 million of the £1.7 million planned savings. The £0.4 million shortfall due to off-island placement savings not being achieved.

37. Several proposals included in the plan to deliver savings have not been progressed. Six of the Local Authority planned actions failed to make the savings that were planned, and this was attributed to the pandemic. Resources were prioritised towards maintaining service delivery and away from implementing these savings plans.

38. Almost £0.1 million of savings to be achieved through a Primary Care Out of Hours review are also now considered unrealistic.

Only £0.6 million (25 per cent) of the financial efficiency plan savings are recurrent

39. Only £0.6 million of recurring savings were achieved in 2020/21. These were principally achieved through a reduction in costs associated with off-island placement (£0.1 million), a review of Physiotherapy establishment (£0.1 million) and plans to maximise residential care cost recovery (£0.1million).

The 2021/22 budget has a £3.8 million deficit to be met from savings and additional social care funding

40. The 2021/22 budget was approved in March 2021. The budget includes funding of £65 million, planned expenditure of £69 million, and a deficit of £4 million. This deficit is expected to be met through £3.1 million of FEP savings and £0.7 million of social care funding. The majority of the savings are non-recurrent (£2.4 million)

41. The 2021/22 budget assumed that covid related costs will again be fully funded.

Financial management is effective

42. Budget monitoring reports were submitted to meetings of the IJB in September and December 2020, and February 2021 (to month 9). The outturn to date and forecast year-end outturn position were made clear within each report.

43. The content of the budget monitoring reports was updated to reflect the financial impact of Covid19. An additional Covid funding and expenditure section highlighted additional income received and expenditure incurred as a result of Covid19. This assisted board members understanding of how Covid19 impacted on the overall financial position of the IJB.

44. Monitoring reports during the year showed an overspend against budget, but that a break-even position would be achieved by use of reserves and contingencies. The year-end outturn was an underspend of £3.9 million, reflecting the late receipt of covid monies and other specific funding in February and March 2021 that could not be spent.

The IJB has a medium-term financial plan that projects a £6.6 million cumulative deficit by 2023/24

45. The IJB approves its medium-term financial plan as part of the budget setting process each year. In March 2021, the medium-term financial plan projected a cumulative deficit of £6.6 million by 2023/24 in the absence of recurring savings or increased funding.

46. In the past four years, IJB funding from the NHS has been uplifted to reflect the effects of inflation, but a flat cash settlement for social care has resulted in an underlying £2.1 million deficit, which contributes to the overall projected deficit. This reflects the cuts to Council and increases to NHS Boards' funding from Scottish Government in real terms over this period.

Partner bodies have sound systems of internal control

47. The IJB does not have its own financial systems and instead relies on partner bodies' financial systems.

48. As part of our audit approach, we sought assurances from the external auditors of NHS Western Isles and Comhairle nan Eilean Siar on the controls

within the financial systems operated on behalf of the IJB and over the transactions and balances with the IJB. Internal weaknesses were identified within the NHS payroll system and the service auditor amended the audit approach to obtain sufficient assurances over NHS transactions. We have no issues to bring to your attention.

3. Governance, transparency, and Best Value

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

Main judgements

There was no Chief Officer in post until January 2021

The IJB made progress with Board appointments and publication of committee papers

The IJB needs to publish a three-year Strategic Plan to set out objectives and how services will be delivered

The last best value self-assessment was carried out in 2019

An integrated workforce plan is not expected to be completed by March 2022

The IJB has effective arrangements for monitoring performance, but it's not meeting most of its local targets despite performing well against national indicators

There was no Chief Officer in post until January 2021

49. The former Chief Officer left his post at the beginning of April 2020. The Chief Executives of the parent bodies were unable to agree arrangements for an interim appointment to the Chief Officer role, and the post remained vacant until January 2021.

50. The absence of a Chief officer for most of 2020/21 has delayed a review of the strategic plan and operational direction of the IJB.

A new Chairperson was appointed in October 2020 and the appointment extended to provide stability

51. Following the resignation of the former Chairperson in September 2020, a new Chair was appointed from the NHS Board.

52. The IJB Board agreed in September 2021 to suspend Standing Orders, so that the current Chair can remain in post for a maximum of an additional 12 months, rather than rotate to an appointee from the Comhairle. This will provide stability, with Local Authority elections due to take place in May 2022.

Two new members have been appointed to the IJB

53. In June 2020, the IJB had a significant number of Board vacancies, by June 2021, most vacancies had been filled, including the appointment of two voting members from the NHS. Only one vacancy remains to be filled by NHS Western Isles.

Governance arrangements are appropriate

54. Meetings of the IJB and the IJB Audit Committee continued during the pandemic through the use of video-conference technology. The IJB Board met six times during 2020/21. No other significant changes to governance arrangements were required during the pandemic.

Publication of committee papers and minutes of meetings has improved

55. In 2019 we reported on the absence of current IJB and IJB Audit Committee papers and minutes from the IJB website. This had improved in 2020 but Audit Committee papers were still not up to date.

56. Publication of papers and minutes has improved in 2021 and both the IJB Board and IJB audit Committee meetings are now published timeously.

The IJB needs to publish a three-year Strategic Plan to set out objectives and how services will be delivered

57. In September 2020, the IJB Board approved a draft interim Strategic Plan to carry it through until April 2021. The expectation was that a three-year strategic plan would then be published, and this was reflected in our 2019/20 Annual Report. The Board planned to have work on a Strategic plan completed by December 2021. This work is not yet underway, with delay attributed to the pandemic and the acute winter pressures that are anticipated.

58. In June 2021 the Chief Officer set out for members his priorities for 2021/22 including a new model for mental health care provision, a more mobile and flexible workforce, and supporting primary care.

Recommendation b/f 5

A three-year strategic plan should be published to bring together the Board's financial plans, workforce plans and service redesign priorities

The last best value self-assessment was carried out in 2019

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

60. The IJB revised its best value framework in 2019 and carried out an annual Best value self-assessment. Future self-assessments were to be presented to the IJB Audit Committee on an annual basis.

61. In 2020, the absence of a Chief Officer meant that the annual review did not take place and the IJB planned for the in-coming Chief Officer to carry out a review by the end of 2021.

62. As noted in the Annual Governance statement, the 2021 review is now not expected to be completed and a planned date of review is now expected in 2022. With no assessment taking place or being scrutinised by members over a two-year period, there is an increased risk that failures to deliver best value are not being identified or rectified.

Recommendation b/f 9

A Best value self-assessment should be carried out annually.

An integrated workforce plan is not expected to be completed by March 2022

63. Integration Authorities were originally required to publish a three-year integrated workforce plan by March 2021. This deadline was subsequently extended to March 2022 to cover the period April 2022-March 2025. This extension recognised the impact of the pandemic on the health and care workforce, and permits workforce plans to reflect service remobilisation and redesign developments.

64. Western Isles IJB does not anticipate being able to complete a workforce plan by the revised deadline but anticipates that the deadline will be further extended by the Scottish Government.

65. Nevertheless, given the acute workforce challenges the IJB faces, through high vacancies, an ageing workforce, and increasing demand on services, workforce planning will be of vital importance to the IJB, and the integrated workforce plan should be addressed as a matter of priority.

Recommendation b/f 6

Publication of an integrated workforce plan should be a priority for the IJB to address acute workforce challenges.

Response to the review of adult social care services

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

67. The Scottish Government's consultation was launched on 9 August 2021 and closed on 12 November 2021. The Comhairle's response to the consultation was agreed at its meeting of 8 November 2021. The response notes that greater detail on areas such as governance, accountability, localism and local decision-making financial resourcing and workforce development is required for the next stage of consultation.

The IJB has effective arrangements for monitoring performance

68. Performance levels are measured against a suite of key performance indicators covering areas such as A&E 4 Hour performance, unscheduled hospital bed days, and delayed discharges. In total, 9 KPI's are reported to each meeting of the Board from an online dashboard developed by the Public Health Intelligence Department of the Health Board.

The IJB is not meeting most local KPI targets

69. Of the 9 KPI's reported to the IJB Board in June 2021, only three were meeting target:

- A&E conversion rate
- Unscheduled hospital bed days (mental health)
- Last six months of life (%) spent in an acute setting

70. Six of the KPI's did not meet local targets, some missing target by a significant margin. The IJB attributes this reduction in performance to measures put in place to respond to the pandemic.

71. The IJB has a target to reduce emergency admissions by 3 per cent per annum. July 2021 saw 271 emergency admissions compared to a target of 194 – exceeding target by 40 per cent. The pattern of admissions follows that of its closest comparator (Highland IJB). Both saw a significant decrease from April 2020 as the country entered lockdown, but admissions have now returned to pre-pandemic levels.

72. The IJB has set itself a target to maintain A&E attendances at prior year levels. In July 2021 there were 577 attendances at A&E against a target of 441 – exceeding target by 136 (31 per cent). Comparison with Highland IJB shows that the attendance rates were higher than Highland pre-pandemic but since lockdown attendances have been similar and have not yet risen back to the numbers reported pre-pandemic.

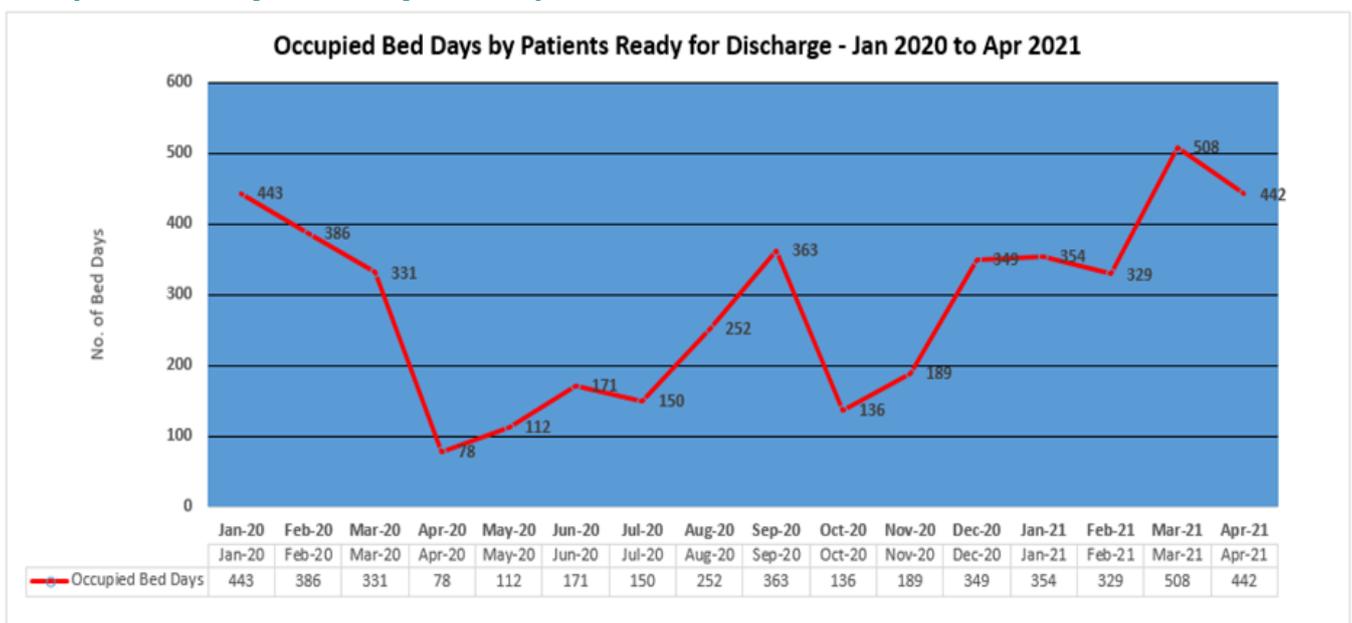
Delayed Discharges are now higher than pre-pandemic levels

73. During the initial lockdown period delayed discharges improved with acute bed capacity being supported by the use of the respite beds in the community and care at home packages benefitting from increased input by family carers. The reduction in acute admissions also contributed to improved performance.

74. Across Scotland, there was a decrease of 34 per cent in the average daily number of beds occupied by people whose discharge was delayed between financial years ending 31 March 2020 and 31 March 2021. This decrease was influenced by the measures put in place to respond to Covid-19.

75. Within the Western Isles, the number of delayed discharges initially dropped from 443 in January 2020 to 78 in April 2020 at the beginning of lockdown but have since risen back up to 508 days in March 2021.

Exhibit 4 Occupied bed days January 2020-April 2021



Source: Delayed Discharges report by Chief Officer Health and Social Care June 2021

76. . The workforce challenges within the care at home service coupled with an increase in service demand are generally the main reason for delays within Western Isles Hospital.

The IJB continues to perform well against national performance indicators

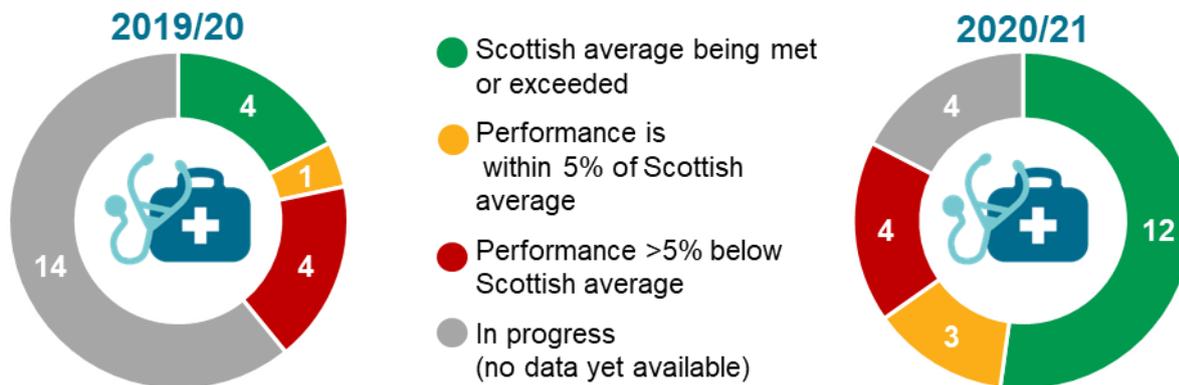
The core suite of integration indicators was published by the Scottish Government in July 2021. Although these are the latest indicators, they do not

all relate to 2020/21 with survey results for example relating to 2019/20. Western Isles' performance compared to the Scottish average has improved with only four indicators more than 5 per cent below average and twelve at or above average ([Exhibit 5](#)).

Exhibit 5

Performance against core suite of integration indicators

Comparative performance on data indicators in 2020/21



Source: IJB Performance Report September 2021

77. The four indicators where Western Isles are more than 5 per cent below the Scottish average are: 'Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided'; 'Emergency admission rate (per 100,000 population)'; 'Falls Rate per 1,000 population aged 65+'; and 'Number of days people spend in hospital when they are ready to be discharged (per 100,000 population)'.

78. The IJB performed well compared to the Scottish average across nine indicators based on the Health and Care Experience survey (HACE); 7 green, 1 amber, 1 red. The IJB exceeded the Scottish average by over five per cent for indicators including 'Percentage of adults receiving any care or support who rate it as excellent or good'; 'Percentage of people with positive experience of care at their GP practice'; and 'Percentage of carers who feel supported to continue in their caring role'.

An annual performance report for 2020/21 is still to be finalised

79. The pandemic is expected to have had a substantial impact on performance measures, particularly for services which have been temporarily suspended, are operating at a reduced level, or have had to adapt to new ways of working.

80. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as; assessing performance in relation to national health and wellbeing outcomes, financial

performance, and best value, reporting on localities, and the inspection of services.

81. The annual report for 2019/20 was presented to the Board on 30 October 2020. The report for 2020/21 is still to be published.

National performance audit reports

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

Appendix 1

Action plan 2020/21

There are no new 2020/21 recommendations

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Unidentified savings</p>	<p>In order to bridge the funding gap and achieve the required level of efficiency savings, the IJB should develop a transformational plan for the redesign of services. This should be developed alongside the medium-term financial plan and be consistent with the Health Board's Transformational Plan.</p>	<p>Outstanding</p> <p>The Chief Officer has still to formally set out transformation plans for the redesign of services. These should be incorporated into the Strategic Plan that has yet to be prepared.</p> <p>Revised Action:</p> <p>As NHS will still be on emergency footing until at least 31 March 2022 and Health and Social Care will be dealing with a forecast worst winter on record with regards to pressures on the system it is unlikely that full transformational plans will be drawn up before the end of Summer 2022.</p> <p>Responsible officer</p> <p>Chief Officer</p> <p>Revised Date</p> <p>30 September 2022</p>
<p>b/f 2. Medium Term Financial Planning</p>	<p>The IJB should prepare a revised medium-term financial plan to consider the financial impact of the COVID-19 global pandemic.</p>	<p>Outstanding</p> <p>Budgets, and medium-term plans, assume that Covid related costs will be funded, and these costs are therefore not included in forecast budgets. This is consistent</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>with Scottish Government advice to Boards.</p> <p>Reserves include £4.4m to support transformational change, workforce sustainability, and digital innovation and infrastructure. The MTFP does not set out how those monies will be used or over what time frame</p> <p>Revised Action:</p> <p>There was a separate Investment report that went to Board in June 2021. This will be revised in June 2022 and in December 2022 to take onboard any changes in reserves and any new project responsibilities</p> <p>Responsible officer</p> <p>Chief Financial Officer</p> <p>Revised Date</p> <p>June 2022</p>
b/f 3. IJB Board vacancies	Board vacancies should be filled to enhance the breadth of knowledge and experience of members charged with decision making and scrutiny of performance	<p>Substantially complete</p> <p>Two new voting members have been appointed from the NHS Board and other non-voting board members were appointed, as reported to members in June 2021.</p> <p>Only one vacancy currently exists on the IJB Board.</p>
b/f 4. Members' Register of Interests	The IJB should ensure that the register of interests is maintained, and members make annual declarations of interest.	<p>Complete</p> <p>All Board members have submitted registers of interest in 2021.</p>
b/f 5. Strategic Planning	A three-year strategic plan should be published to bring together the Board's financial	<p>Outstanding</p> <p>Progress has been delayed by the pandemic and is</p>

Issue/risk	Recommendation	Agreed management action/timing
	plans, workforce plans and service redesign priorities.	<p>expected to slip further due to winter pressures.</p> <p>Revised Action:</p> <p>As NHS will still be on emergency footing until at least 31 March 2022 and Health and Social Care will be dealing with a forecast worst winter on record with regards to pressures on the system it is unlikely that full transformational plans will be drawn up before the end of Summer 2022.</p> <p>Responsible officer</p> <p>Chief Officer</p> <p>Revised Date</p> <p>30 September 2022</p>
b/f 6. Workforce challenges	Publication of an integrated workforce plan should be a priority for the IJB to address acute workforce challenges.	<p>Outstanding</p> <p>The IJB do not expect this to be undertaken by the 31 March 2022 deadline but anticipate that the Scottish Government will again extend the deadline.</p> <p>Revised Action:</p> <p>The workforce plan alone will not address the depopulation of the islands together with a sizable increase in the over 65s with a marked decrease in the workforce population.</p> <p>Due to the Pandemic certain groups investigating the change in population demographics have not met.</p> <p>Health and Social Care alone cannot tackle the enormity of the above issues. Regular workforce and population data are taken to the Board. The Chief Officer and Chief</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>Financial Officer will do a presentation to the CPP in early 2022 to engage with all stakeholders across the island. The Chief Officer together with Human Resources Support will also be working on a formal workforce plan. However, the Health and Social Care Partnership are aware of the staffing requirements but are facing extreme problems in recruiting due to the reducing population of the islands which means although we can bring in new methods of recruitment this will not really improve workforce issues faced.</p> <p>Responsible officer Chief Officer</p> <p>Revised Date June 2022</p>
<p>b/f 7. Transparency</p>	<p>Further progress is required to publish committee papers and minutes and to make key documents available on the IJB website</p>	<p>Partially Complete</p> <p>Board papers and minutes are now up to date for both the IJB Board and the IJB Audit Committee.</p> <p>Key documents remain out of date on the IJB website.</p> <p>Revised Action:</p> <p>The present website is not fit for purpose and the Managers will be aiming to contract a web designer to make a new site fit for purpose for the IJB</p> <p>Responsible officer Business Manager/Chief Officer</p> <p>Revised Date</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 8. Risk Management</p>	<p>A refreshed Risk Management Strategy and Policy should be approved to ensure that the Board's arrangements effectively manage risks to achieving its objectives. This should include unifying the risk register and forming a strategic risk management group.</p>	<p>December 2022</p> <p>Outstanding</p> <p>The Risk management Strategy and Policy has not been updated in 2021.</p> <p>Revised Action:</p> <p>The Risk management Strategy and Policy will be updated by end of Spring 2022</p> <p>Responsible officer</p> <p>Chief Officer</p> <p>Revised Date</p> <p>June 2022</p>
<p>b/f 9. Best Value self-assessment</p>	<p>An annual Best Value self-assessment should be undertaken and approved by the IJB Audit committee.</p>	<p>Outstanding</p> <p>No best value self-assessment was undertaken in 2021. This is now expected to be completed in 2022.</p> <p>Revised Action:</p> <p>The Chief Officer will start the best value self-assessment in June 22</p> <p>Responsible officer</p> <p>Chief Officer</p> <p>Revised Date</p> <p>30 September 2022</p>

Appendix 2

Significant audit risks identified during planning

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

Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Agreement of balances and transactions to Comhairle Nan Eilean Siar and NHS Western Isles financial reports / ledger / correspondence.</p> <p>Service auditor assurances will be obtained from the auditors of Comhairle Nan Eilean Siar and NHS Western Isles. These may be affected by audit timetables, which are yet to be agreed with the partners.</p> <p>Review of year-end adjustments and journals.</p> <p>On-going review of financial position.</p>	<p>Results:</p> <p>Balances and transactions in the parent body ledgers were consistent with IJB audited accounts.</p> <p>Service auditor assurances were obtained for both parent bodies and agree to the year-end position reported in the audited accounts.</p> <p>Year-end journals were reviewed in each partner audit.</p> <p>Conclusion: Audit work found no evidence of management override of controls in the preparation of IJB annual accounts.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p>2. Financial Sustainability - Medium term Financial Planning</p> <p>Audit Scotland's Local Government in Scotland Financial Overview 2019/20 has highlighted that the</p>	<p>Review the updated medium-term financial strategy.</p> <p>Consider the robustness of future savings plans.</p>	<p>Results:</p> <p>The IJB projects a cumulative deficit of up to £6.6 million by 2023/24 in the absence of increased funding or recurring savings.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>impacts of COVID-19 could be significant and that medium-term financial plans will need to be revised to reflect this.</p> <p>The medium-term financial plan agreed by the IJB in March 2020 will require revision to account for the scale of the financial challenge posed by COVID-19.</p> <p>In addition, the proposed savings may not be achieved in their entirety as some identified savings have been identified as high-risk savings.</p> <p>The IJB budget setting process will require to consider and look to address any anticipated funding gaps for future years.</p> <p>There is a risk that financial plans do not take account of the significant impact of COVID-19 on financial sustainability and that the IJB does not generate the savings required to ensure services provided are financially sustainable.</p>	<p>Consider the 2021/22 budget and plans to address any funding gap.</p> <p>Monitor the IJB's achievement of planned transformation and cost saving projects.</p>	<p>The Financial Efficiency Plan is the Board's main response to bridging planned deficits but is highly reliant on non-recurring savings. This helps the Board balance its books in the short term but is not sustainable.</p> <p>The Medium-term Financial Plan does not include Covid related expenditure. This is because budgets assume that covid costs will be reimbursed in full.</p> <p>The Board recognises there are likely to be cost implications from the longer-term impacts of Covid on mental health.</p> <p>Conclusion: Medium term financial planning is reasonable. However, there is some risk that future Covid costs will not be fully reimbursed and place additional pressure on IJB finances.</p> <p>Strategic planning will be key in identifying how services can be delivered within available budgets.</p> <p>See recommendation b/f 5 above.</p>
<p>3 Financial Management – Impact of Covid-19</p> <p>The IJB set a balanced budget for 2020/21 and per the February financial monitoring update, the IJB were projecting an overspend of £0.1m.</p> <p>However, late COVID-19 funding that the Board will be unable to spend in-year may mean that the Board break-</p>	<p>Establish the funding and cost impacts of COVID-19 on 2020/21 outturn.</p> <p>Consider areas of overspend in 2020/21 to identify the underlying reasons and management actions to address these.</p> <p>Review financial monitoring reports.</p>	<p>Total funding to the IJB rose from £64 million to £70 million during 2020/21. £3.2 million of Covid-19 funding was added to the initial budget.</p> <p>Of £3.2 million Covid funding, £2.2 million was for Comhairle delegated functions and £1.0 million for NHS services.</p> <p>Covid related expenditure in the year amounted to £2.4 million with the remaining</p>

Audit risk	Assurance procedure	Results and conclusions
<p>even or report a year end surplus.</p> <p>In addition, the delivery of planned savings has been impacted by the disruption to operations caused by COVID-19.</p> <p>There is a risk that areas of recurrent overspend are masked by additional funding received in response to the pandemic.</p>		<p>£0.8 million held as earmarked reserves at year end.</p> <p>The single largest cost of the pandemic to the IJB was in employing temporary staff.</p> <p>The content of the budget monitoring reports was updated to reflect the financial impact of Covid 19. An additional Covid funding and expenditure section highlighted additional income received and expenditure incurred as a result of Covid 19. This assisted board members understanding of how Covid 19 impacted on the overall financial position of the IJB.</p> <p>Conclusion: The impact of Covid-19 was clearly reported to the Board in financial reports</p>
<p>4. Governance and Transparency – 19/20 Audit recommendations</p> <p>We reported a number of significant governance issues in our 2019/20 Annual Audit Report.</p> <ul style="list-style-type: none"> •A number of Board vacancies exist and although progress is being made to appoint representatives to the IJB Board, there is a risk of a lack of independent oversight and constructive challenge on Board matters. •Strategic planning has stalled in the absence of a Chief Officer for much of 2020 and a planned refresh of the Risk Management Strategy and Best Value 	<p>Assess progress in delivering a revised Integration Scheme in accordance with revised timescales.</p> <p>Establish whether a Best value self-assessment has been undertaken to demonstrate areas of good practice and identify areas for improvement.</p> <p>Assess the Board's progress in delivering a longer-term Strategic Plan and Risk Management Strategy.</p> <p>Assess progress in filling Board vacancies.</p>	<p>Reviewed progress on each of these areas as part of our audit</p> <p>Conclusion: Limited progress was made on prior year recommendations as the IJB prioritised Covid-19 recovery</p>

Audit risk	Assurance procedure	Results and conclusions
<p>annual self-assessment were not completed.</p> <ul style="list-style-type: none">•Plans to implement an integrated workforce plan have yet to be progressed, and a revised Integration Scheme has also been delayed by the COVID-19 global pandemic. <p>There is a risk that governance arrangements are inadequate and that these are not addressed in 2020/21.</p>		

Appendix 3

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

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

[Local government in Scotland Overview 2020](#)

July

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

January

[Digital progress in local government](#)

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

February

[NHS in Scotland 2020](#)

March

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

Western Isles Integration Joint Board

2020/21 Annual Audit Report – DRAFT

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