

# Western Isles Integration Joint Board

2019/20 Annual Audit Report



 AUDIT SCOTLAND

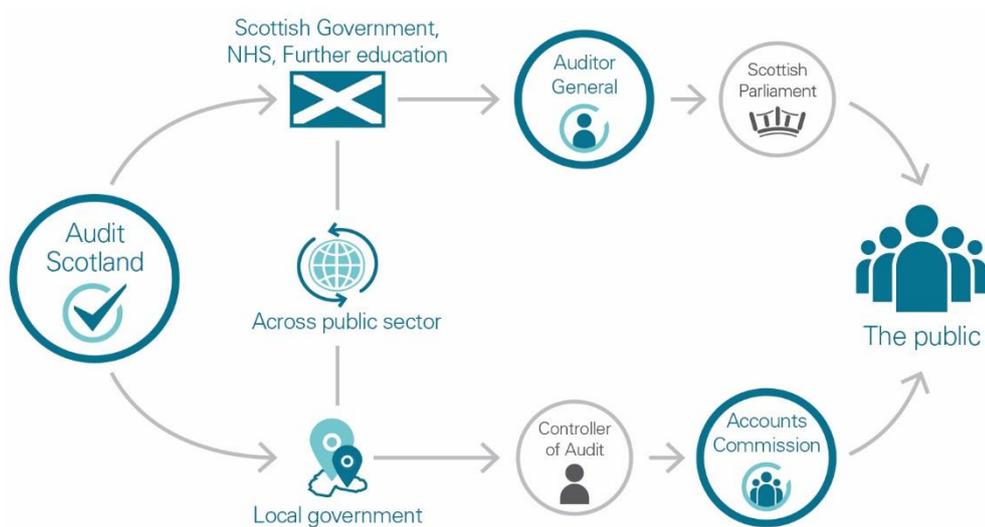
Prepared for Cùram is Slàinte nan Eilean Siar and the Controller of Audit

17 November 2020

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

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## 2019/20 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are all unmodified
- 2 The annual accounts were submitted for audit on time, but the limitations of remote working impacted on our audit timetable.

## Financial management and sustainability

- 3 The IJB recorded an overspend of £1.6 million in 2019/20, which was met from reserves
- 4 The budget for 2020/21 depends on high-risk savings targets
- 5 The IJB has a medium-term financial plan which was prepared prior to the COVID-19 global pandemic and will need to be updated
- 6 The IJB response to COVID-19 is expected to cost £1.6 million in 2020/21

## Governance, transparency and best value

- 7 The IJB has significant governance issues including Board vacancies and a vacancy in the chief officer role. This has contributed to delays in strategic planning and issues with workforce planning.
- 8 The IJBs arrangements for risk management, transparency and demonstrating Best Value are also insufficient
- 9 Internal performance reporting is effective, but external performance reporting has been affected by Covid-19.
- 10 Covid-19 measures had a significant positive impact on occupied bed day performance

# Introduction

1. This report is a summary of our findings arising from the 2019/20 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 and Risk Committee meeting on 12 February 2020. This report comprises the findings from our main elements of work in 2019/20 including:
  - an audit of the IJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016 Exhibit 1](#).

## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have a significant impact into financial year 2020/21. Our planned audit work had to be adapted to deliver an audit of the accounts and financial statements remotely.

## 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 4](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

6. 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.

7. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice (2016), supplementary guidance, and International Standards on Auditing in the UK.

8. 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,
- the financial position and arrangements for securing financial sustainability.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. 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.

11. 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

12. 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.

13. 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 2019/20 audit fee of £26,560, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

15. 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.

# Part 1

## Audit of 2019/20 annual accounts



### Main judgements

**Our audit opinions on the annual report and accounts are all unmodified.**

**The annual accounts were submitted for audit on time, but the limitations of remote working impacted on our audit timetable**

**No progress has been made in implementing prior year audit recommendations**

The annual report and accounts are the principal means of accounting for the stewardship of the resources and performance.

### Audit opinions on the annual accounts were unmodified

**16.** The annual accounts for the year ended 31 March 2020 were approved by the board on 11 November 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

### The annual accounts were submitted for audit on time, but the limitations of remote working impacted on our audit timetable

**17.** The accounts were submitted to us for audit on 18 June 2020 in line with the original agreed timetable. Our original intention was that the audit could be concluded by 30 September. However, the limitations of remote working did impact on our audit timetable and the audit took longer. The IJB has used the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to postpone the publication of the audited accounts. A Notice of Postponement was posted on the IJB website on 30 September to reflect this.

**18.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Financial Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounts. Satisfactory arrangements are in place to identify this income and expenditure and report this to the IJB.

**19.** Audit Scotland's [Covid-19: Guide for audit and risk committees \(August 2020\)](#) recommends that members consider whether there is sufficient capacity to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19.

**20.** Overall, the working papers provided to support the accounts were of a good standard. We were given electronic access to relevant files and papers so were able to conduct the audit remotely.

## Overall materiality is £0.745 million

**21.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual report and accounts.

**22.** On receipt of the unaudited annual accounts we reviewed our materiality calculations and revised materiality levels accordingly. This revision did not impact on our audit approach and materiality levels are summarised in [Exhibit 2](#).

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## Exhibit 2 Materiality values

<b>Overall materiality</b>	£0.745 million
<b>Performance materiality</b>	£0.450 million
<b>Reporting threshold</b>	£20,000

Source: Audit Scotland

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

**23.** [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks that we identified during the audit. It also identifies the work we undertook to address these risks and our conclusions from this work.

## We have no significant findings to report from the audit and there were no material adjustments.

**24.** 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 body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. There are no significant findings to report,

**25.** We identified one misstatement above our reporting threshold of £20,000. Funding of NHS Western Isles expenditure of £27,000 from IJB reserves was not reflected in the financial statements. The impact of this misstatement is to decrease the net cost of services by £27,000, with a corresponding increase in usable reserves. Management have not adjusted for this item as they consider that the low value of the misstatement does not significantly impact on the reader's understanding of the accounts and financial position of the IJB.

**26.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

## **No progress has been made in implementing prior year recommendations**

**27.** We have followed up actions agreed in 2018/19 to assess progress with implementation. These are reported in Appendix 1. In total, four agreed actions were reported in 2018/19 and none have yet been fully addressed.

**28.** For the actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

# Part 2

## Financial management and sustainability



### Main judgements

The IJB recorded an overspend of £1.6 million in 2019/20, which was met from reserves



Financial reporting arrangements are good

The budget for 2020/21 depends on high-risk savings targets

The IJB has a medium-term financial plan which was prepared prior to the COVID-19 global pandemic and will need to be updated

Costs to the IJB of responding to COVID-19 are estimated at £1.6 million in 2020/21

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. Financial sustainability looks forward to the medium and longer term to consider plans

### The 2019/20 budget was approved in March 2019 with a gap to be met by a combination of savings, reserves and increased funding

29. The IJB Board approved a budget for 2019/20 at its meeting on 28 March 2019. The budget assumed the use of £0.9 million from reserves, efficiency savings of £1.8 million and an increase in CNES funding of £0.9 million.

30. Efficiency savings plans included £0.5 million of non-recurrent vacancy savings on Comhairle nan Eilean Siar pay budgets and a further £0.25 million of previously unidentified savings within the acute nursing budget.

### Most planned efficiencies were achieved

31. The IJB achieved 94% (£1.7 million) of the target savings efficiencies during the year. The savings not achieved were identified as high risk during the budget-setting process. Planned savings of £0.3 million were not achieved in the year. This included the unidentified savings within the acute nursing budget noted above (£0.25 million) but additional unbudgeted savings were achieved of £0.2 million in Mental Health arising from unfilled vacancies and staff redeployment.

### The 2019/20 outturn was an overspend of 1.6 million, which was met from reserves.

32. Outturn against the 2019/20 budget is summarised in [Exhibit 3](#). The Board planned to use £0.9 million of its reserves to support the budget, but at year end the total deficit to be met from reserves was £1.6 million.

33. The accounts deficit comprises of an overspend on core health services (£1.3 million) and on core social care services (£0.3 million). The overall reserve reduced to £4.2 million.

**34.** The overspend on health services arises primarily from overspends on medical consultant and specialised doctor budgets (£0.7 million), mainland placements (£0.4 million) and acute IJB nursing budget (£0.4 million) offset by an underspend on the mental health nursing budget (£0.3 million). The overspend on social care services is primarily due to overspends on Home Care (£0.2 million) and Commission and Partnership Services (£0.1 million).

## Exhibit 3 Performance against budget

There were overspends in NHS and Council areas of the budget

IJB budget summary	Budget £m	Actual £m	Variance £m
NHS Western Isles	42.2	43.5	1.3 (ADV)
Comhairle nan Eilean Siar	20.6	20.9	0.3 (ADV)
<b>Total Net Expenditure</b>	<b>62.9</b>	<b>64.5</b>	<b>1.6 (ADV)</b>

Source: CISNES Annual Accounts 2019/20 (adjusted)

## Financial reporting arrangements are good

**35.** Board members received monthly financial monitoring reports throughout the year. Financial monitoring reports were also presented to meetings of the IJB Board by the Chief Financial Officer.

**36.** Reports included revised budgets to reflect changes to funding during the year and to report on the revised projected outturn against budget. Each report included a description of the main underspends and overspends against budget for scrutiny by Board members.

## The budget for 2020/21 depends on high-risk savings

**37.** The 2020/21 budget was approved by the IJB Board in March 2020. A budget of £67 million was set comprising funding of £63.1 million from partner bodies, increased Health and Social Care funding (£0.6 million) and increased income from residential charging (£0.3 million). A £3 million budget gap is to be met from planned savings (£2.4 million) and reserves (£0.6 million).

**38.** High risk savings include a mix of specific plans and more general areas of planned savings. The largest identified saving comes from savings from vacancies on the Comhairle pay budgets (£0.5 million). Other significant planned savings come from assumed transfer of historical reserves from the Comhairle (0.3 million), reducing costs of off-island placements (£0.2million) and mental health redesign efficiencies (£0.2 million).

**39.** A significant risk exists that the IJB may not achieve its savings targets or be able to meet recurrent demand challenges in health and social care. This is recognised in the IJB's own assessment of the risks it faces in delivering the 2020/21 Budget.

## The IJB has a medium-term financial plan which was prepared prior to the COVID-19 global pandemic and will need to be updated

40. In May 2018, The Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS). The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.

41. The IJB's three-year financial plan was approved by the IJB Board in March 2020. The plan has been developed on the basis that the IJB reflect a breakeven position over a three-year period. Forecasts in the financial plan are based on several assumptions including allocation uplifts, inflationary costs and pay growth. The Plan recognises that with the workforce demographics the IJB faces it will be more and more difficult to provide services without significant transformational change.

42. Indicative savings targets of £5.2 million for 2021/22 and £6.3 million for 2022/23 have been identified. However, these do not take account of any shortfall in recurring savings from the prior year and could be significantly higher. The targets continue to include significant proportions of unidentified savings ([Exhibit 4](#)).

### Exhibit 4 Savings forecast 2020/21 to 2022/23 (£millions)

Future savings target includes a significant proportion of unidentified savings

	2020/21 £m	2021/22 £m	2022/23 £m
Recurring	1.0	1.7	1.7
Non-recurring	1.4	0.5	0
Unidentified	0.0	3.0	4.6
<b>Total</b>	<b>2.4</b>	<b>5.2</b>	<b>6.3</b>
% of Gross Expenditure	3.6%	7.4%	8.7%

Source: IJB Draft Budget 2020/21 March 2020

43. There is a significant risk that future savings will not be achievable and that services will need to be cut where efficiencies are not identified.



#### Recommendation 1

**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.**

### **The current three-year financial plan does not consider the financial impact of the COVID-19 global pandemic.**

**44.** In response to the COVID-19 pandemic, and in common with all Integration Joint Boards, regular financial mobilisation plans have been submitted to the Scottish Government. These plans detail the additional costs arising from the pandemic.

**45.** The IJB estimates that the impact of responding to Covid-19 in 2020/21 will be £1.6 million. Half of this balance (£0.8 million) is expected to arise from additional temporary staff spend. Externally provided services account for an additional £0.3 million. Loss of income from hospices accounts for another £0.1 million of the estimated impact, with the remainder attributed to additional PPE costs and additional staff overtime.



#### **Recommendation 2**

### **The IJB should revise the medium-term financial plan to consider the financial impact of the COVID-19 global pandemic.**

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### **The IJB's Investment Plan will use all existing reserves within 3 years**

**46.** In February 2020, the IJB approved a 3-year investment plan which is aligned to the 2020/21 budget and the current three-year financial plan. The investment plan assumes that general reserves will be used up in 2020/21 to support budget pressures and that remaining earmarked and specific reserves will be spent over the three-year period to 2022/23 to support service transformation, grow a sustainable workforce and enhance physical infrastructure.

### **Financial systems of internal control operated effectively**

**47.** The IJB relies on the financial systems of the Comhairle and NHS Western Isles with partner bodies responsible for implementing adequate systems of internal control to prevent and detect risk of fraud and error.

**48.** As part of our audit approach we sought assurances from the external auditor of NHS Western Isles and Comhairle nan Eilean Siar (in accordance with ISA 402) and obtained confirmation that there were no significant weaknesses in the systems of internal controls for either of the partner bodies.

# Part 3

## Governance, transparency and best value



### Main judgements

The IJB has significant governance issues including Board vacancies and a vacancy in the chief officer role. This has contributed to delays in strategic planning and issues with workforce planning.



Review of the Integration Scheme was delayed by Covid-19

The IJBs arrangements for risk management, transparency and demonstrating Best Value are also insufficient

Internal performance reporting is effective, but external performance reporting has been affected by Covid-19.

Covid-19 measures had a significant positive impact on occupied bed day performance

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

### There are significant Board vacancies

**49.** The Integration scheme sets out the governance arrangements for membership of the Board. The Board comprises four local authority elected members, four health board non-executive directors and representatives from trade unions, third sector bodies, patients and service users, and professionals across health and social care.

**50.** The IJB is supported by an Audit Committee that has responsibility for assisting the Board deliver on its financial and governance arrangements. The IJB Board met on five occasions in 2019/20 and the Audit committee met three times. Through our attendance at both Board and Audit Committee meetings we found that these were conducted in a professional manner with a good degree of scrutiny and challenge provided by members.

**51.** The impact of COVID -19 from March 2020 has been set out in the Governance Statement in the IJB's annual accounts. To ensure continuity of scrutiny, IJB Board and Audit committee meetings were rescheduled and took place using video conference technology. Revised arrangements continue to be in operation for both the Board and Audit Committee to ensure both carry out their functions and support good governance and accountability.

**52.** The IJB Board consists of 8 voting members comprising 4 from each of the partner bodies and a further 14 non-voting members (representing partner bodies, staff, carers, and third parties).

**53.** In September 2019, new appointments to the Board were made by both partner bodies. However by June 2020 a number of vacancies remained on the Board, including 3 vacancies for NHS representatives/voting members and a further 4

vacancies in respect of the vacant Chief Officer post, a GP, Secondary Care Consultant (both from the NHS side), and a Carer's representative.

**54.** 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



### Recommendation 3

#### Board vacancies should be filled

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#### The Board has operated without a Chief Officer for six months

**55.** The Chief Officer of the IJB left his post on 4 April 2020. A recruitment campaign to appoint his successor have been delayed by the Covid-19 pandemic and the Board has been unable to agree an appointment on an interim basis.

**56.** As Accountable Officers, the respective Chief Executives of NHS Western Isles and Comhairle nan Eilean Siar have taken on responsibilities of the Chief Officer.

**57.** The Board advertised the Chief Officer post in August 2020 and hopes to make an appointment before the end of 2020.

#### Review of the Integration Scheme was delayed by Covid-19

**58.** Councils and their partner Health Boards have a statutory duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to review the integration scheme every five years.

**59.** The current Integration scheme was approved on 16 June 2015 and should therefore have been reviewed by 16 June 2020.

**60.** Recognising the pressures placed on IJB's in responding to the Covid-19 pandemic, the Scottish Government has recommended an initial review is carried out prior to completion of a full review in due course.

**61.** In September 2020, the IJB Board approved plans to carry out an initial review that will inform the subsequent full review. The full review will be carried out by the incoming Chief Officer and is scheduled for completion by 1 April 2021.

#### Members register of interests have been updated but two remain incomplete

**62.** In 2018/19 we recommended that the IJB should implement measures to ensure the register of interests is maintained and members make annual declarations of interest. Our follow-up work has identified that the members' register of interests has not yet been updated for two members of the Board.



### Recommendation 4

#### The IJB should ensure that the register of interests is maintained, and all members make annual declarations of interest.

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## Strategic planning has stalled

**63.** Interim management arrangements have supported continuity of the Board's priorities at an operational level, but strategic planning has stalled in the first six-months of 2020/21.

**64.** Following a recommendation in our 2018/19 Annual Audit report the Chief Officer undertook to produce a Strategic Implementation Plan by December 2019. Ordinarily the Board would publish a three-year Strategic Plan but in the context of the upcoming Integration Scheme review and appointment of a new Chief Officer, a single year plan to cover 2020/21 was drafted.

**65.** This draft Strategic Plan for 2020/21 was presented to the March 2020 meeting of the IJB Board. The plan included an implementation plan with 10 strategic objectives deliverable through a small number of sub-actions. The sub-actions have a target delivery date of March 2021.

**66.** The Board approved a consultation process on the draft strategic plan, but following the departure of the Chief Officer, this was not taken forward.

**67.** In September 2020, the Strategic Plan was again considered by the IJB Board, who agreed that the draft plan be approved for the remainder of 2020/21. A three-year strategic plan will then be implemented by the incoming Chief Officer from April 2021.

**68.** A refreshed Strategic Plan will be vital in ensuring that the strategic direction of the IJB brings together the financial plans, workforce plans and the necessary transformational change to deliver core objectives.



### Recommendation 5

**A longer-term Strategic Plan should be prepared, linking the IJB's core objectives with Financial and Workforce Plans to support transformational change to service delivery.**

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## Workforce challenges present a significant risk to financial sustainability and to service delivery

**69.** At the end of November 2019, Western Isles IJB reported 150 vacancies out of 1,177 established posts, a vacancy rate of almost 13 percent. Almost 50 percent of whole-time equivalent (WTE) employees are 50 years of age or older. The working-age population of the Western Isles is also projected to decline by almost 12 percent in the period from 2017 to 2037, while the elderly population is predicted to increase by 44 percent from 2017-2027.

**70.** These projections highlight the twin challenges the IJB faces in maintaining a workforce to deliver current services and ensuring the Board is equipped to meet the future demands of an ageing population.

## A Workforce and Organisational Development Strategy 2019-22 was approved in December 2019

**71.** A refreshed Workforce Strategy, planned for completion in December 2019, was approved by the Board at its meeting on 19 December 2019.

**72.** In presenting the Workforce Strategy, the Chief Officer noted the need for the IJB to develop and implement an integrated workforce plan. This has been added to the action plan presented to each meeting of the IJB Board, but no progress has yet been reported in delivering an integrated workforce plan.



### Recommendation 6

**An integrated workforce plan should be prioritised to ensure the IJB is well prepared to meet future financial sustainability and service demand challenges.**

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**there are still problems with openness and transparency and further progress on the IJB website is required**

**73.** In our 2018/19 Annual Audit report we noted that publication of Board papers and minutes of meetings is inconsistent and key public-facing documents are missing from the IJB website.

**74.** Some progress has been made on the website and Board meeting papers are now up to date. Audit committee papers, however, are only available up to December 2019.

**75.** Key documents such as annual accounts remain missing from the website and although the Strategic Plan is published on the website, the latest published version relates to the 2016-19 Plan and is now out of date.

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### Recommendation 7

**Further progress is required to publish committee papers and minutes and to make key documents available on the IJB website**

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**Risk management arrangements have not been updated since 2016**

**76.** The Risk Management Strategy and Policy was approved by the shadow IJB in March 2016 with the intention of updating the strategy after one year of the IJB being in operation.

**77.** In November 2019 Internal Audit reported to the Board that the updated strategy remained outstanding and a revised completion date of April 2020 was agreed with management. The revised risk management strategy has not been progressed in the interim period, and with the Chief Officer post currently vacant, there is no revised timescale for this to be completed.

**78.** While parent bodies have their own risk management policies in place, it is important that the WI IJB puts in place its own arrangements to reflect the strategic and operational risks that specifically apply to the IJB.

**79.** Further recommendations from Internal Audit included the unification of the risk register and the implementation of a Strategic Risk Management Group. The April 2020 completion date for these has also lapsed and these additional recommendations should also be progressed as soon as practicable.

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### Recommendation 8

**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 setting up the strategic risk management group.**

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## Arrangements are in place to report on Best Value, but the absence of a Chief Officer has impacted on progress

**80.** Integration Joint Boards have a statutory duty to make arrangements to secure best value. To achieve this, IJBs should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

**81.** In June 2019 the Board approved a Best Value framework that split BV into corporate assessment and performance assessment elements. Performance assessment is captured in the IJB annual Accounts where the Board reports on the quality of service provision and the outcomes for service users. Corporate performance is measured across 5 themes and is reported in the annual Best Value assessment. These themes are:

- Vision and Strategic Direction
- Effectiveness of our Partnership
- Governance and Accountability (including community and stakeholder engagement)
- Use of Resources
- Performance Management and Improvement

**82.** The Board approved the 2018/19 best value self-assessment at its meeting in June 2019 and simultaneously agreed that responsibility for the future monitoring of Best Value reports would sit with the IJB Audit Committee. In the absence of a Chief Officer however, no assessment for 2019/20 has been carried out.



### Recommendation 9

## An annual Best value self-assessment should be undertaken to demonstrate areas of good practice and identify areas for improvement

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### Internal performance reporting is effective, but external performance reporting has been affected by Covid-19.

**83.** NHS western Isles has developed an online interactive dashboard to monitor key performance indicators on a regular basis. The IJB Dashboard contains performance indicators reported to the Scottish Government via the Ministerial Strategic Group for Health and Community Care (MSG).

**84.** Each IJB Board meeting includes a performance status report that reports on progress against nine MSG Indicators. Data includes performance against local targets and the trajectory of performance over time. In June 2020 the IJB was meeting or exceeding 6 of their 9 local targets.

**85.** 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. The Board approved the 2019/20 Annual Performance Report in October 2020.

**86.** Public Health Scotland publish performance data for each IJB, alongside the Scotland average, for 23 core performance indicators. This permits each Board to assess performance across time and against other Joint Boards.

**87.** The 2019/20 data downloaded from the PHS website only includes performance for nine of the 23 indicators. Current data is not available for

indicators 1-9 (2019/20 Health and Care Experience Survey results) as a result of Scottish Government staff redeployment for COVID-19 work. National data is also not yet available to allow reporting of a further five indicators.

**88.** Exhibit 5 below illustrates the performance information available for 9 known indicators. The four indicators where the Board has met or is exceeding the Scottish average are amongst the 11 that were met in 2018/19. Three of the four indicators missing the Scottish average by more than 5 percent also missed target in 2018/19, including delayed discharges.

**89.** The one reported change is emergency readmissions to hospital within 28 days of discharge - which has increased from 103 to 110 cases per 1,000 discharges. In 2018/19 the Board met the Scottish average (103) but in 2019/20 reported 110 cases, five percent above the Scottish average (105).

## Exhibit 5

### Performance against core suite of integration indicators

It's not yet clear whether performance is improving, relative to the rest of Scotland



Source: Public Health Scotland

## Covid-19 measures had a significant positive impact on occupied bed days

**90.** The National Indicator for delayed discharges records the number of days people spend in hospital when they are ready to be discharged (per 1,000 population). In 2019/20 the total for Western Isles IJB was 1,510 days against a national average of 774 days.

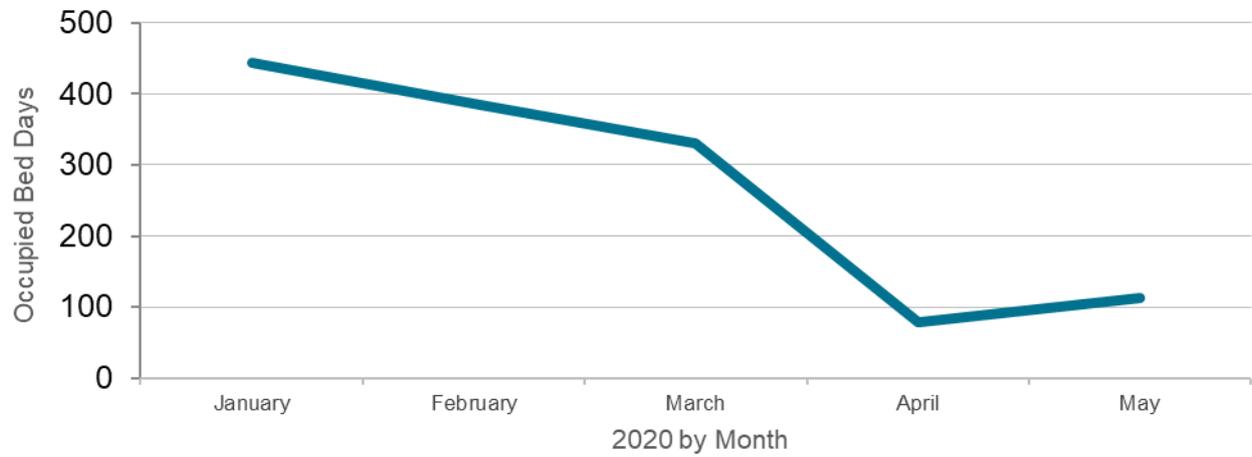
**91.** Contingency measures were put in place to address risks associated with the Coronavirus in March 2020. These included implementing a Social Care Bed Escalation Plan and the cancellation of scheduled residential respite services from 23 of March 2020. The release of the 14 respite beds allowed discharges from hospital to be accelerated.

**92.** Exhibit 6 below illustrates that occupied bed days decreased significantly from 443 in January 2020 to a low of 78 in April 2020 before rising slightly to 112 the following month.

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**Exhibit 6**

## Occupied Bed days by Patients ready for Discharge



Source: CISNES Delayed Discharge Report June 2020

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**93. National performance audit reports**

Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published some reports which may be of direct interest to the board as outlined in [Appendix 3](#).

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Unidentified savings</b></p> <p>The 2021/22 and 2022/23 budgets include significant savings that have yet to be identified.</p> <p><b>Risk</b> – unidentified savings may not be achievable, placing additional demand on already limited reserves.</p>	<p>Paragraph 42</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>The IJB have agreed to create a Budget and Strategy Working Group to take forward efficiencies, the group is due to meet early November. The Board expects the Chief Officer to concentrate on the transformation plans for the redesign of services once in post, target date of January 2021. We would expect to build on lessons learnt during the Pandemic</p> <p>Chief Financial Officer 31 March 2021</p>
2	<p><b>Medium Term Financial Planning</b></p> <p>A three-year financial plan was approved by the IJB Board in March 2020. However, this was prepared prior to the COVID-19 global pandemic. The current three-year financial plan does consider the financial impact of the COVID-19 global pandemic.</p> <p><b>Risk</b> – Existing financial plans may no longer be achievable as a result of the COVID-19 pandemic.</p>	<p>Paragraph 44</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>The Board has yet to be informed of the level of funding available going forward into 21/22. For the <b>draft</b> plan issued October 2020 the assumption is that all Covid related costs will be funded. There will be two further iterations of the 3 year plan, the final to be signed off in March 2021 – at that point we will know the level of expected funding that will be available in the coming year and that will be represented in the final 3 year plan</p> <p>Chief Financial Officer 31 March 2021</p>
3	<p><b>IJB Board vacancies</b></p> <p>There are several vacancies on the IJB Board.</p> <p><b>Risk</b> – there is a risk of a lack of independent oversight and constructive challenge on Board matters.</p>	<p>Paragraph 53</p> <p>Board vacancies should be filled to enhance the breadth of knowledge and experience of members charged with decision making and scrutiny of performance</p>	<p>Due to the pandemic (SG led recruitment) the vacant non-executive posts within the NHS are not likely to be in post until February 2021 (interviews planned January 2021). At that point NHS Western Isles can appoint to the vacancies within the IJB</p>

CEO NHS  
March 2021

4	<p><b>Members' Register of Interests</b></p> <p>The IJB's register of members' interests is incomplete.</p> <p><b>Risk –</b> The IJB's decision making process is not transparent if members' interests are not declared.</p>	<p>Paragraph 62</p> <p>The IJB should ensure that the register of interests is maintained, and members make annual declarations of interest.</p>	<p>One of the two outstanding registers has been returned.</p> <p>Business Manager</p> <p>March 2021</p>
5	<p><b>Strategic Planning</b></p> <p>Strategic Planning will be critical to ensuring that the Boards' financial and workforce plans are aligned with strategic objectives and support transformational change.</p> <p><b>Risk –</b> there is a risk that without good strategic planning, the Board are unable to achieve core objectives.</p>	<p>Paragraph 67</p> <p>A refreshed Strategic Plan should ensure that the strategic direction of the IJB brings together the financial plans, workforce plans and the necessary transformational change to deliver core objectives.</p>	<p>Once the Chief Officer is in post this work will be undertaken, provisional start date Jan 2021</p> <p>Chief Officer</p> <p>December 2021</p>
6	<p><b>Workforce Challenges</b></p> <p>The IJB faces significant challenges in filling existing vacancies and has an ageing workforce. In presenting the Workforce and Organisational Development Strategy 2019-22, the Chief Officer noted the need for the IJB to develop an integrated workforce plan. This has yet to be progressed.</p> <p><b>Risk -</b> There is a risk that the Board do not retain the necessary workforce to deliver services within budget.</p>	<p>Paragraph 72</p> <p>An integrated workforce plan should be prioritised to ensure the IJB is well prepared to meet future financial sustainability and service demand challenges.</p>	<p>DL (2020)27 update on revised workforce planning guidance for H&amp;SC changed the publication timescales for local NHS Board Workforce Plans as laid out in the Revised Workforce Planning Guidance published by the Scottish Government. These changes recognise the significant ongoing challenges faced by NHS Boards during the pandemic in modifying the current requirement to develop and deliver a 3-year Workforce Plan, while continuing to ensure practical, robust and effective workforce planning arrangements remain in place. New date for publication is March 2022</p> <p>Chief Officer</p> <p>March 2022</p>
7	<p><b>Transparency</b></p> <p>The Board has made some progress in providing more up-to-date Board papers and minutes. However, Audit Committee papers and minutes have not been updated since the December 2019 meeting. Key documents</p>	<p>Paragraph 74</p> <p>Further progress is required to publish committee papers and minutes and to make key documents available on the IJB website</p>	<p>A lot of work has been undertaken to ensure the published committee papers and minutes are available on the IJB Website. The Business Manager will make periodic checks to ensure all relevant papers are available on the web. Some of the timetable IJB meetings including</p>

are not accessible via the website.

**Risk** – there is a risk that the IJB is not operating in an open and transparent manner.

subgroups did not take place in the wave of the pandemic

Business Manager

31 March 2021

<b>8</b>	<p><b>Risk Management</b></p> <p>The Risk Management Strategy and Policy is overdue for update.</p> <p><b>Risk</b> – there is a risk that the IJB is unable to achieve its core objectives if Board-specific risks are not identified and managed.</p>	<p>Paragraph 77</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>Once the CO is in post this work will be undertaken, provisional start date Jan 2021</p> <p>Chief Officer</p> <p>December 2021</p>
<b>9</b>	<p><b>Best Value self-assessment</b></p> <p>An annual self-assessment has not been carried out for 2019/20. Self-assessments permit the Board to identify where improvement can be made to its strategic objectives, governance arrangements and use of resources, and to demonstrate areas of good practice.</p> <p><b>Risk</b> – there is a risk that the Board fail to demonstrate areas of good practice or identify areas for improvement.</p>	<p>Paragraph 82</p> <p>An annual Best Value self-assessment should be undertaken and approved by the IJB Audit committee.</p>	<p>Once the CO is in post this work will be undertaken, provisional start date Jan 2021</p> <p>Chief Officer</p> <p>December 2021</p>

### Follow up of prior year recommendations

<b>b/f 1</b>	Long-term financial planning	<p>The Financial Plan should be further developed over a five-year period and link to other plans and strategies to promote the transformational change necessary to close future funding gaps.</p>	<p><b>No further action at this time</b></p> <p>In March 2020 a three-year financial plan was included in the 20/21 budget paper approved by the Board.</p> <p>Although a longer-term financial plan would be ideal, we recognise that a medium-term focus is appropriate in response to the further uncertainty introduced by Covid-19.</p>
<b>b/f 2</b>	Register of Interests	<p>The IJB should implement measures to ensure the register of interests is maintained and members make annual declarations of interest.</p>	<p><b>In progress</b></p> <p>The members' register of interests has not been updated for two members of the Board. To support transparency a complete register of member interests should be maintained and published on the IJB website.</p> <p>Refer to recommendation 4 above.</p>

**b/f 3** Strategic planning

The IJB needs to set out in more detail what achieving its outcomes looks like and milestones over the short, medium and long term.

**In progress**

Strategic planning has been halted as a result of the vacant Chief Officer post.

We recommend that strategic plans that set out core objectives and link to financial and workforce plans are progressed as a priority.

Refer to recommendation 5 above.

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**b/f 4** Workforce Challenges

The IJB should assess their performance against current workforce objectives and produce a refreshed Workforce Strategy.

**Outstanding**

A refreshed workforce strategy planned for approval by February 2020 has not been prepared.

We recommend that a Workforce Strategy is published to support the IJB's strategic and financial plans and aid service provision.

Refer to recommendation 6 above.

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# 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 2016](#).

### Add in any additional audit risks arising from COVID-19

#### Risks of material misstatement in the financial statements

<p><b>1 Management override of controls</b></p> <p>Auditing standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls that results in fraudulent financial statements.</p>	<ul style="list-style-type: none"> <li>Assurances from partner body auditors on the accuracy and completeness of year-end financial reports</li> <li>Check accuracy and completeness of consolidation of financial reports from the two partners</li> <li>Detailed testing of significant adjustments at year end</li> <li>Review of financial monitoring reports during the year</li> </ul>	<p>Assurances were received from the auditors of the partner bodies over the systems of internal controls and the accuracy and completeness of year-end financial reports</p> <p>A late revision to NHS expenditure resulted in a £27k unadjusted error in the audited accounts.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
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#### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p><b>2 Financial Sustainability</b></p> <p>At 31 March 2019 the IJB held reserves of £5.8m. This included £1.5m of unearmarked reserves (2.5% of net expenditure) to meet unforeseen contingencies.</p> <p>£0.9m of unearmarked reserves were allocated to the 2019/20 budget to help bridge a budget gap of £3.1m Monthly monitoring reports now indicate that as a result of overspends by both partner bodies the IJB will require to use all of its unearmarked reserves in order to break even in 2019/20.</p> <p>In our 2018/19 Annual Audit Report we recommended that the IJB extend their financial</p>	<ul style="list-style-type: none"> <li>Review the IJB final outturn and impact on levels of reserves</li> <li>Review progress in delivering the savings plan with a focus on the higher risk savings</li> <li>Review progress in agreeing a balanced budget for 2020/21 and evaluate the longer-term financial outlook</li> <li>Review the updated financial strategy</li> <li>Assess the level of detail and assumptions within the</li> </ul>	<p>Regular financial monitoring reports were presented to the Board throughout the year.</p> <p>Year-end use of reserves was £1.6m versus budget use of £0.9m</p> <p>The 2020/21 budget will use up all non-earmarked reserves</p> <p>A three-year investment plan will exhaust the Boards reserves.</p> <p>Conclusion: Medium-term financial planning should be updated to reflect the further uncertainty presented by Covid-19. As set out in Appendix 1 – recommendation 2.</p>
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strategy from three to five years and link it to the Strategic Plan and the Workforce Strategy.

There is a risk that the IJB does not have a clear view of its long-term financial position relative to its overall aims and strategic objectives.

financial strategy for reasonableness

- Assess the level of scenario planning and sensitivity analysis contained within the financial strategy.

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### 3 Governance & Transparency – loss of Senior Leadership

The Chief officer of the IJB will leave his post in March 2020 resulting in a significant loss of leadership capacity.

There is a risk that this may impact on the Board's ability to deliver transformational change and long-term sustainability.

- Review interim arrangements to support the delivery of services and transformational change
- Review progress in recruiting a successor to the current Chief Officer
- Identify any implications for transformational change and financial sustainability.

A recruitment campaign to appoint a new Chief officer has been delayed by the COVID-19 pandemic

The Board were unable to agree the appointment of an interim Chief Officer

The Chief Officer post has been vacant for six months

Strategic planning and other corporate strategies such as a workforce strategy and risk management plan have been delayed in the absence of a Chief officer.

Conclusion: we recommend that that the strategic plan and workforce strategy are developed, as set out in Appendix 1 recommendations 5 and 6.

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# Appendix 3

## Summary of national performance reports 2019/20



		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	Early learning and childcare: follow-up

# Western Isles Integration Joint Board 2019/20 Annual Audit Report

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