

Shetland Islands Integration Joint Board

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Shetland Islands Integration Joint Board and the Controller of Audit
December 2024

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Key messages

2023/24 annual accounts

- 1 Audit opinions on Shetland Islands IJB's annual accounts are unmodified.
- 2 The unaudited annual accounts were provided within the agreed timescale. The quality of supporting working papers has improved.
- 3 Formal written assurances, including confirmation of balances, should be requested from partners at year end to support the annual accounts process.

Financial management

- 4 The 2023/24 budget included planned savings of £1.607 million which were not achieved. Continued non-achievement of recurring savings will increase financial pressures in future years.
- 5 Shetland Islands IJB's final outturn continues to be significantly higher than the originally agreed budget, with 2023/24 expenditure £7.432 million (11.1%) over budget. The majority of this overspend relates to locum and agency cost overspends and unbudgeted service support costs which were funded through additional partner contributions.
- 6 Financial management arrangements could be improved through more accurate forecasting of the outturn cost of providing the services commissioned by the IJB.

Financial sustainability

- 7 The IJB's medium-term financial plan identifies a significant £8.359 million budget deficit which will be challenging to address.
- 8 Transformation programmes and efficiency plans to support the medium-term financial plan are still under development.
- 9 Recruitment challenges remain a significant risk for financial sustainability with further work required to reduce reliance on agency and locum staff.

Vision, leadership, and governance

- 10 Governance arrangements are appropriate and operating effectively.
- 11 There is effective scrutiny, challenge, and informed decision making.

Use of resources to improve outcomes

- 12** The IJB has effective arrangements for managing and reporting performance. Overall, the IJB demonstrated strong performance against the national average.
- 13** Appropriate arrangements are in place to secure Best Value, including a self-assessment against Best Value characteristics.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Shetland Islands Integration Joint Board (the IJB) and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.
2. The scope of the audit was set out in an Annual Audit Plan presented to the Audit Committee's 22 May 2024 meeting. This Annual Audit Report comprises significant matters arising from our audit of the IJB's annual accounts and conclusions on the wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#).
3. We would like to thank all IJB members, management and staff, particularly those in finance, for their cooperation and assistance during the year.

Responsibilities and reporting

4. 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 and propriety that enable it to successfully deliver its objectives.
5. The IJB's appointed independent auditor is Rachel Browne, Audit Director, Audit Scotland. The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice 2021 and supplementary guidance, and International Standards on Auditing in the UK.
6. This report contains an agreed action plan at [Appendix 1](#) which sets out specific recommendations, the responsible officers, and dates for implementation. 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 raised and to maintain adequate systems of control.

Auditor Independence

7. We confirm that we comply with the Financial Reporting Council's Ethical Standard and that we have not undertaken any non-audit related services. The 2023/24 audit fee of £33,360 as set out in the 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
8. The annual audit adds value to the IJB by identifying and providing insight on significant risks, making clear and relevant recommendations, and sharing intelligence and good practice.

1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Audit opinions on the IJB's annual accounts are unmodified.

The unaudited annual accounts were provided within the agreed timescale. The IJB has improved the quality of the supporting working papers.

Formal written assurances, including confirmation of balances, should be requested from partners at year end to support the annual accounts process.

Audit opinions on the annual accounts are unmodified

9. The Integration Joint Board approved the IJB's annual accounts for the year ended 31 March 2024 on 5 December 2024. 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 was prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014
- the Management Commentary and Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

The unaudited annual accounts were received in line with the agreed audit timetable. The quality of supporting working papers to support the accounts has improved.

10. The unaudited annual accounts were received in line with the agreed audit timetable on 30 June 2024. In our 2022/23 Annual Audit Report we noted issues with the working papers and made a recommendation for improvement to

working papers. The quality of the papers provided to support this year's annual accounts was greatly improved and were of a good standard.

Our audit approach and testing were informed by the overall materiality of £1.4 million

11. The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

12. Our initial assessment of materiality was carried out during the risk assessment phase of the audit and was based on the audited 2022/23 annual accounts. These materiality values were reported in our annual audit plan.

13. On receipt of the unaudited annual report and financial statements we reconsidered our materiality levels based on the financial results for the year ended 31 March 2024, and updated our materiality levels. Our revised materiality levels are summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. We have set it based on our assessment of the needs of the users of the financial statements and the nature of the IJB's operations.	£1.4 million
Performance materiality: This is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75 per cent of overall materiality, reflecting the scale of previous year's adjustments, the extent of estimation in the accounts and the planned testing in proportion to the scale of the organisation.	£1 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount.	£0.07 million

Source: Audit Scotland

Significant findings and key audit matters

14. Under ISA (UK) 260, we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

15. The Code of Audit Practice also requires us to highlight key audit matters, which are defined in ISA (UK) 701 as those judged to be of most significance. The significant findings and key audit matters are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Prior period error</p> <p>The 2023/24 accounts include a prior year restatement of £1.918 million in both funding and expenditure. This material restatement relates to recharges for social care support costs and associated funding omitted from the 2022/23 accounts. This omission arose from an error in the account code consolidation process in the prior year and resulted in income and expenditure being understated by £1.918 million in the prior year annual accounts. The net impact of the error was nil and it did not affect prior year reserve balances.</p>	<p>Management restated the prior year comparative figures to include this income and expenditure. We conducted audit work to confirm the accuracy of the restatement and that it has been presented correctly within the financial statements.</p> <p>Recommendation 1</p> <p>As part of the formal closedown process, the IJB and its partners should agree in writing at the year-end the amount of funding contributions to the IJB, commissioning grants to the partners from the IJB, and balances due to/from the IJB at 31 March, to support the preparation of the annual accounts.</p> <p>Management should review the account codes in the financial information provided by the partners to ensure all expected elements are included.</p> <p>(Refer Appendix 1, action plan)</p>
<p>2. Resource transfer</p> <p>Funding to support additional spend on expanding social care to support the objectives of integration, is provided annually by the Scottish Government through a baseline transfer to NHS Boards. The funding to support the costs incurred by the Council is transferred from the NHS to the Council, known as the Resource transfer.</p>	<p>The audited accounts were revised to reflect the £1.278 million as NHS funding contribution to the IJB.</p> <p>As recommended above, the IJB and its partners should formally agree funding contribution and commissioning grants values as part of their closedown processes (see Recommendation 1 above).</p>

Issue	Resolution
The IJB unaudited accounts recognised the funding of £1.278 million for 2023/24 as part of the SIC funding contribution to the IJB, however as the funding is received through the baseline transfer to NHS Boards, this should have been included as part of the NHS funding contribution instead.	(Refer Appendix 1 , action plan)

Source: Audit Scotland

Audit work responded to the risks of material misstatement identified in the annual accounts

16. We obtained audit assurances over the identified significant risk of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risk of material misstatement to the financial statements we identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over this risk and the conclusions from the work completed.

Exhibit 3

Significant risk of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240 (<i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements</i>), management is in a unique position to perpetrate fraud because of their ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Agreement of balances and income to Shetland Islands Council and NHS Shetland financial reports/ ledger/ correspondence. • Auditor assurances will be obtained from the auditors of Shetland Islands Council and NHS Shetland which ensure completeness, accuracy and allocation of income and expenditure. • Review of financial monitoring reports during the year • Review of year-end consolidation of expenditure reports from Shetland Islands Council and NHS Shetland including 	<p>We obtained assurances from the external auditors of NHS Shetland and Shetland Islands Council.</p> <p>No significant weaknesses in the systems of internal control have been identified that impact on Shetland Islands IJB.</p> <p>Balances and transactions in the partner bodies were consistent with the IJB's accounts.</p> <p>We reviewed adjustments at year end and financial monitoring reports.</p> <p>Conclusion: Audit work found no errors or other accounting treatment that</p>

Audit risk	Assurance procedure	Results and conclusions
	examining any significant consolidation adjustments.	would indicate management override of controls.

Source: Audit Scotland

There was one identified misstatement within the financial statements which was corrected

17. As noted in [Exhibit 2](#), there was one identified misstatement in the accounts, relating to the accounting of resource transfer funding. This error was corrected in the audited annual accounts.

18. Our audit did not identify any other misstatements above our reporting threshold.

There were no objections to the annual accounts

19. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the annual accounts. This must remain on the website throughout the inspection period. Shetland Islands IJB complied with this requirement and there were no objections to the 2023/24 annual accounts.

Good progress was made on prior year recommendations

20. The IJB has made good progress in implementing the agreed prior year audit recommendations, including improvements in the quality of working papers ([paragraph 10.](#)) and the performance reporting within the annual accounts management commentary ([paragraph 48.](#)). For actions not yet implemented, revised responses and timescales have been agreed with management and are set out in [Appendix 1](#).

2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Conclusion

The 2023/24 budget included planned savings of £1.607 million which were not achieved. Continued non-achievement of recurring savings will increase financial pressures in future years.

The IJB's final outturn continues to be significantly higher than the originally agreed budget, with 2023/24 expenditure £7.432 million (11.1%) over budget. The majority of this overspend relates to locum and agency cost overspend, and unbudgeted service support costs, which were funded through additional partner contributions.

Financial management arrangements could be improved through more accurate forecasting of the outturn cost of providing the services commissioned by the IJB.

The 2023/24 budget included planned savings of £1.607 million which were not achieved.

21. The IJB approved its 2023/24 budget in April 2023. A balanced budget of £60.389 million was set after application of savings totalling £1.607 million. Savings plans included workforce rebalancing, pharmacy projects and review of Self-Directed Support packages. £1.091m of the proposed savings were identified as high risk. Following in year revisions, the final budget allocation for 2023/24 was £66.812 million, with a savings target of £1.964 million.

22. The IJB achieved actual savings of £1.124 million, 57 per cent of target. However, the majority of these were non-recurring. Recurring savings of £0.12 million were significantly below target and will add to continued financial pressure in future years.

The IJB returned an overspend of £7.432 million in 2023/24

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

24. The IJB returned an overspend of £7.432 million against a budgeted breakeven position ([Exhibit 5](#)). This was significantly above the originally agreed budget and was financed through £6.876 million additional partner contributions and £0.556 million use of reserves.

25. Key drivers behind the overspend was £2 million of service support costs which were omitted from the original budget, and the cost of locum and agency staff to deliver commissioned services. Locum and agency costs represented a combined £8.067 million increase against budget, although was offset by £5.201 million in savings through unfilled posts and other staffing underspends.

26. IJB reserves have continued to reduce; total usable reserves at 31 March 2024 are £0.948m. The current reserve policy allows for reserves to be used in line with the strategic delivery plan and requires no minimum reserve balance to be held. Therefore, usage is within the remit of this policy.

Exhibit 5

Performance against budget

IJB budget summary	Budget £m	Actual £m	Variance £m
NHS Shetland	35.520	37.957	(2.437)
Shetland Islands Council	31.292	36.287	(4.995)
Corporate Services	0.037	0.037	0
Total Net Expenditure	66.849	74.281	(7.432)

Source: 2023-24 Shetland Islands IJB annual accounts

Budget processes were insufficient in forecasting the actual cost of providing the commissioned services for the IJB

27. Detailed budget monitoring reports were submitted to the IJB throughout the year. The outturn to date and projected year-end outturn position were clearly stated in these reports. However, the actual outturn was significantly greater than the forecast figure.

28. The budget report presented to the IJB's Audit Committee on 22 May 2024 projected an overspend of £4.250 million. The final outturn position was £7.432 million, a £3.182 million increase (26.2%). This movement was due primarily to £1.427 million savings target being accounted for twice in reported figures, and the inclusion of social care support costs after the Quarter 4 monitoring report was published. Without timely and accurate budgetary information, those charged with governance cannot have effective oversight for the IJB.

Recommendation 2

The IJB should review its budget monitoring processes to ensure outturn forecasts are based on up-to-date and accurate information.

The IJB has appropriate financial control arrangements in place

29. No specific controls work was undertaken directly by the IJB audit team. We instead placed reliance on work performed by the Shetland Islands Council and NHS Shetland auditors. Because all financial recording and reporting is undertaken by these partners, this approach was deemed most appropriate. There were no issues reported by either audit team which would suggest weakness of financial controls. We are therefore satisfied that the IJB has appropriate controls in place.

30. Standards of conduct and arrangements for the prevention and detection of fraud were appropriate. Arrangements for fraud detection are governed by the partner bodies. Our review of their policies and controls found adequate arrangements in place to prevent and detect fraud. We also carried out testing of year-end consolidation adjustments to IJB expenditure, which have potential for fraudulent manipulation. No issues were identified as a result of this.

3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

The IJB's medium-term financial plan identifies a significant £8.359 million budget deficit which will be challenging to address.

Transformation programmes and efficiency plans to support the medium-term financial plan are still under development.

Recruitment challenges remain a significant risk for financial sustainability with further work required to reduce reliance on agency and locum staff.

The IJB's medium-term financial plan identifies a significant budget deficit which will be challenging to address

31. In May 2024 the IJB approved a medium-term financial plan covering 2024/25-2028/29. The plan includes a conservative estimate around funding levels and a range of scenarios and assumptions relating to potential cost pressures. The plan identifies a cumulative deficit of £8.359 million after achievement of savings targets.

32. Identified savings of £0.837 million are proposed across a three-year period split between £0.787 million recurring and £0.05 million non-recurring. These planned savings are significantly less than the £1.610 million of proposed savings in the 2023/24 budget, a large proportion of which were not achieved (see [paragraph 22.](#)). Given the scale of the deficit facing the IJB, it is vital that they work to identify further efficiency savings to reduce this.

Transformation programmes and efficiency plans to support the medium-term financial plan are still under development. Recruitment challenges remain a significant risk for financial sustainability

33. The IJB will need to make significant savings to maintain financial balance. The medium-term financial plan notes that workstreams aligned to the IJB's strategic plan objectives are ongoing to improve efficiencies and identify cost-saving measures. However, only those initiatives that have been financially quantified have been included in the medium-term financial plan projections.

34. In 2023/24 there was an overspend against budget for locum and agency staff of £8.067 million, offset by £5.201 million in savings for unfilled posts. The medium-term financial plan currently includes cumulative proposed workforce savings of £0.319 million over 3 years. Based on these figures the current efficiency plans appear under-developed to address workforce financial pressures in the short and medium term and further work will be required to reduce the reliance on agency and locum staff.

4. Vision, leadership, and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

Conclusion

Governance arrangements are appropriate and operate effectively.

There is effective scrutiny, challenge, and informed decision making.

Governance arrangements are effective and appropriate

35. In making our assessment of the IJB's governance arrangements we considered the:

- structure and conduct of board and committee meetings.
- overall arrangements to ensure appropriate standards of conduct including compliance with the Standing Financial Instructions and Standing Orders
- arrangements for the prevention and detection of fraud, error, bribery and corruption
- reporting of performance and whether this is fair, balanced and understandable.

36. The IJB met seven times during 2023/24, with the Audit Committee meeting four times. The papers presented to the Board and the Audit Committee are published timeously on the IJB's section of Shetland Islands Council's website.

37. There is evidence from several sources which demonstrates the IJB's commitment to openness and transparency. Webcasts of Board and Audit Committee meetings, along with papers and minutes, are available through Shetland Islands Council's website along with core governance documents covering administration arrangements, strategies and annual reports.

There have been a number of changes to senior officers within the year

38. There was a change in senior officers in year as the Chief Officer left their post in June 2023 and a new Chief Officer was appointed. This was originally on an interim basis; however, the appointment was made permanent in April 2024. This resulted in a change to the Depute Chief Officer role, which is now split between two individuals who were appointed in December 2023. From our attendance at IJB meetings and review of minutes, the change appears well managed with continued effective governance and scrutiny.

The integration scheme is currently up to date but is due for review in 2025

39. The Public Bodies (Joint Working) (Scotland) Act 2014 places a legal duty on councils and health boards to review Integration Schemes at least every 5 years to consider whether any changes are necessary or desirable. The Integration Scheme for the IJB was last updated in 2021 and states the: 'IJB Vision is that by 2025 everyone is supported in their community to live longer; healthier lives and we will have reduced health inequalities.'

40. Within the Strategic Commissioners Plan 2022-2025, there are strategic priorities to improve outcomes

- To prevent poor health and wellbeing and intervene at an early stage to prevent worsening outcomes.
- To prevent and reduce the avoidable and unfair differences in health and wellbeing across social groups and between different population groups.
- To demonstrate best value in the services that we commission and the ways in which we work.
- To shift the balance of care towards people being supported within and by their communities.
- To meaningfully involve communities in how we design and develop services and to be accountable to their feedback.

41. The IJB provides services as set out in its Integration Scheme. The Strategic Plan priorities aim to give direction to the services provided and commissioned by the IJB and are based on its engagement with its partners and other key stakeholders together with consideration of national outcomes.

5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

Conclusion

The IJB has effective arrangements for managing and reporting performance. Overall, the IJB demonstrated strong performance against the national average.

Appropriate arrangements are in place to secure Best Value, including a self-assessment against Best Value characteristics.

The IJB has effective arrangements for managing and reporting performance. Overall, the IJB demonstrated strong performance against the national average.

42. 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.

43. The Board has continued to monitor key performance targets throughout the year. The 2023/24 performance report was presented to the Board in the June 2024 meeting.

44. Performance levels are measured against a suite of key performance indicators split between outcomes which measure perceptions of service users and data indicators which analyse levels of service use. The results of these indicators are then compared against national averages to give an estimation of the relative performance of Shetland IJB against other IJB's in Scotland.

45. The report identifies key challenges within the year which have included a continued increase of A&E waiting times, vacancies within the psychological therapies team which have increased waiting times for treatment, and access to occupational health. This has caused the IJB to underperform against nationally set targets. However, when viewed in a national context the performance of Shetland IJB is comparably very good compared with the national average.

46. For the nine national outcome indicators measured, trend data shows a reduction in prior period reported performance across most indicators. However, Shetland IJB still performed better than the national average in eight of these areas. The only measure which was marginally below national average was adults supported at home who felt safe (78.3% against national average of 79.7%). Individuals who felt supported to live as independently as possible was 89.8% (Average 78.8%) and those who agreed the services improved quality of life was 93.6% (78.1% average).

47. For the ten national data indicators measured, Shetland IJB performed above the national average in nine of these areas. The only area under national average was falls per 1,000 people aged over 65 (24.4 against 22.5 nationally). However, use of emergency beds per 100,000 people was significantly lower (72,909 against 119,806 nationally), and proportion of services graded good or better by the care inspectorate was 87.2% (75.2% nationally).

Performance reporting in the annual accounts has improved

48. In our 2022/23 annual audit report recommended the format and content of the management commentary in the annual accounts should be reviewed to ensure it includes focused and balanced performance reporting.

49. As part of our final accounts audit work we reviewed the management commentary within the annual accounts for 2023/24. The performance data shows that Shetland Islands IJB is performing above the average rate for Scotland in all reported metrics. Key challenges noted by the IJB related to staffing shortages, requiring expenditure on agency and locum staff. This challenge is impacting both performance in delivering the best services for the people of Shetland, and the financial cost associated with delivery of these services.

50. We concluded the narrative in management commentary provided a balanced review of performance, highlighting both the positive aspects of the IJB's performance during the year and areas of challenge.

The IJB has appropriate arrangements in place for securing Best Value

51. 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.

52. Following recommendations made by the previous auditors, the IJB implemented a self-assessment of the Board. This was reported to the audit committee in November 2023 and will be repeated bi-annually. The report focused on five key areas covering leadership, financial knowledge, strategic planning, effective governance and robust internal information processes. The results of the review highlighted both strengths and improvements for the board which they are undertaking to improve on.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Annual accounts quality review and control procedures</p> <p>The IJB identified a material prior period error in its annual accounts whereby recharges for care services had been missed out of the financial information provided to the IJB by its partners. As the IJB is reliant on the financial systems of its partners, all three parties should agree relevant income and expenditure totals, so the annual accounts are consistent across the bodies.</p> <p>The IJB unaudited accounts recognised the funding of £1.278 million for 2023/24 as part of the SIC funding contribution to the IJB, however as the funding is received through the baseline transfer to NHS Boards, this should have been included as part of the NHS funding contribution instead.</p> <p>Risk – material misstatements are included in the annual accounts.</p>	<p>The IJB should implement additional year end quality review and control procedures to support the preparation of the annual accounts. This should include:</p> <ul style="list-style-type: none"> • assurance requests to partners to confirm year end income and expenditure figures recognised by each partner, including agreement of final amount of funding contributions to the IJB, commissioning grants to the partners from the IJB, and balances due to/from the IJB at 31 March, to support the preparation of the annual accounts. • clarification between partners of the treatment of IJB related resource transfers between the NHS and the council for care services. • Documentation of management review and signoff on unaudited accounts <p>Exhibit 2</p>	<p>Accepted</p> <p>Year-end quality review and control procedures will be implemented as part of the 2024/25 audit closedown.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: March 2025</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>2. Review of budget monitoring effectiveness</p> <p>The IJB has repeatedly produced an actual outturn which is significantly higher than budget. Information provided to those charged with governance in May 2024 predicting a deficit which was £3.182 million (compared to actual outturn of £7.432 million).</p> <p>Risk – Those charged with governance are not provided with sufficiently accurate financial information to make effective decisions for the IJB.</p>	<p>The IJB should review its budget monitoring processes to ensure outturn forecasts are based on up-to-date and accurate information.</p> <p>Paragraph 28.</p>	<p>Accepted</p> <p>Forecast procedures will be reviewed during 2024/25.</p> <p>However, the actual outturn for 2023/24 was artificially inflated due to SIC central support costs being added after the Q4 Financial Monitoring Report had been published.</p> <p>This timing difference and associated impact on the accounts will be addressed during the 2024/25.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: March 2025</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
<p>1. Annual accounts working papers</p> <p>The accounts received were in line with the expected format, however there were issues with the initial working papers provided, including the reconciliation of partner ledger information to the accounts and evidence to support management commentary disclosures. Revised working papers were</p>	<p>Recommendation-</p> <p>Working papers used in the preparation of the annual accounts should be subject to quality review and retained as evidence for audit review.</p> <p>Agreed action-</p> <p>In line with the audit recommendation, the revised working papers which were produced for the 2022/23</p>	<p>Implemented</p> <p>Working paper template utilised for preparation of 2023/24 annual accounts process and subject to internal quality review.</p> <p>Additional procedures highlighted through recommendation 1 will be implemented in 2024/25</p>

Issue/risk	Recommendation and agreed action	Progress
<p>provided by officers during the audit fieldwork which evidenced the accounts disclosures.</p> <p>Risk – Working papers do not support the audit of the financial statements.</p>	<p>audit will be used as a template for future years.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: June 2024</p>	
<p>2. Covid-19 reserves</p> <p>The Scottish Government informed IJBs during 2023 of the intention to clawback unspent Covid-19 funding. The IJB projected full utilisation of Covid-19 reserves during 2022/23 however £150,000 was underspent at year-end and is included within reserves.</p> <p>Risk – £150,000 of earmarked reserves cannot be applied to future expenditure.</p>	<p>Recommendation-</p> <p>The IJB should engage with NHS Shetland/ Scottish Government to clarify whether the £150,000 unspent covid-19 funding should be returned or can be applied for other purposes.</p> <p>Agreed action-</p> <p>Clarification will be sought from the Scottish Government regarding the unspent Covid-19 funding and if it can be applied for other purposes.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: January 2024</p>	<p>Implemented</p> <p>Confirmation received from Scottish Government in January 2024 that unspent funding can be reapplied.</p>
<p>3. Performance reporting in the annual accounts</p> <p>The management commentary in the annual accounts does not provide a high-level summary of performance for the year. It would benefit from more focus and balance in reporting, including recognition of poorer performing areas and plans to address these.</p> <p>Risk – annual accounts narrative does not provide readers with balanced analysis of IJB performance during the year.</p>	<p>Recommendation-</p> <p>The format and content of the management commentary in the annual accounts should be reviewed to ensure that it includes focused and balanced reporting of performance for the year.</p> <p>Agreed action-</p> <p>The performance section of the Management Commentary will be reviewed and updated to provide a more fair, balanced and understandable analysis of the IJB's performance.</p>	<p>Implemented</p> <p>Revised format of narrative included in 2023/24 accounts and reviewed through audit.</p> <p>Paragraph 48.</p>

Issue/risk	Recommendation and agreed action	Progress
	<p>Responsible officer: Chief Officer</p> <p>Agreed date: June 2024</p>	
<p>4. Medium-term financial plan</p> <p>The proposed 2023/24 partner funding payments, and the Directions issued to partners makes assumptions around savings targets. However, these targets are unlikely to deliver full year savings. In addition, the ongoing cost pressures experiences in service delivery have not been recognised in the forward projections.</p> <p>Risk – Delivery of services in line with Directions is unachievable with existing resources.</p>	<p>Recommendation-</p> <p>The current projections in the medium-term financial plan should be updated, along with the Directions, to reflect ongoing cost pressures and planned delivery of savings programmes.</p> <p>Agreed action-</p> <p>We will work in partnership with colleagues at the Council and NHS to refine 3-year plans based upon both local and Government directions on service commissioning plans. All three organisations have a duty to breakeven and ensure best value in local service delivery.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: June 2024</p>	<p>Update</p> <p>Medium-term financial plan updated (see paragraph 31.), however detailed savings plans have still to be developed to address the identified budget gap.</p> <p>Detailed savings plans will be included in the 2025/26 IJB budget report.</p> <p>MTFP will be updated annually as part of budgeting cycle.</p> <p>Responsible officer: Chief Officer</p> <p>Date: April 2025</p>
<p>5. Core IJB documentation</p> <p>The IJB makes core governance documentation publicly available through Shetland Islands Council website, however some of this documentation has not been updated to reflect the current arrangements.</p> <p>Risk – the IJB’s governance arrangements are not transparent.</p>	<p>Recommendation-</p> <p>The content available through the Health and Social Care Partnership website should be regularly reviewed to ensure it is up to date.</p> <p>Agreed action-</p> <p>Content available through the Health and Social Care Partnership website is reviewed and updated for known changes. In line with</p>	<p>Implemented</p> <p>Website documentation updated on rolling basis as changes required.</p>

Issue/risk	Recommendation and agreed action	Progress
	<p>the audit recommendation, a regular review will be undertaken to ensure it is up to date.</p> <p>Responsible officer: Chief Officer</p> <p>Agreed date: June 2024</p>	
<p>6. Best value self-assessment</p> <p>The IJB last reported on its self-assessment of governance arrangements, committee and Board performance in September 2022. The self-assessment framework to assess performance against Best Value characteristics has been extended but is still to be assessed and reported.</p> <p>Risk – The IJB is not meeting its statutory duties in relation to Best Value.</p>	<p>Recommendation-</p> <p>An organisational self-assessment against the Best Value characteristics should be undertaken and reported to the Board annually.</p> <p>Agreed action-</p> <p>Self-assessment is being reported to IJB Audit committee in November 2023 and will be repeated every 12 months. Recommendations are included within the summary report, and planning for seminars and development sessions throughout the year will follow.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: November 2023</p>	<p>Implemented</p> <p>Self-assessment reported to committee November 2023 and will be reported annually.</p>
<p>2.1 Financial Sustainability (2022/23)</p>	<p>Recommendation-</p> <p>The IJB should consider the options available to it to enhance community engagement in the budget setting process, to ensure that community views are taken into account when allocating resources to drive improvement in outcomes.</p> <p>Agreed action</p> <p>Ongoing</p>	<p>Update/ongoing action</p> <p>Community engagement related to specific improvement work continues across the Partnership in line with the IJB's Participation and Engagement Strategy. There has been ongoing engagement with a number of interest groups about service changes through 2024/5. These will be evaluated and there will be ongoing</p>

Issue/risk	Recommendation and agreed action	Progress
	<p>Community engagement related to specific improvement work is ongoing which includes changes to service and finance considerations. HSCP officers linking with NHS Shetland and Shetland Islands Council engagement re budget setting.</p> <p>Responsible officer: Chief Officer</p>	<p>evaluation of our engagement activities over the next three months.</p> <p>Responsible officer: Chief Officer</p> <p>Date: March 2025</p>
<p>2.2 Financial Sustainability (2022/23)</p>	<p>Recommendation-</p> <p>The IJB should ensure it is involved in the reviews of the Council and NHS workforce plans and receives reporting on how these workforce plans will meet the IJB's needs.</p> <p>Agreed action-</p> <p>Ongoing</p> <p>3 year joint workforce plan developed in line with Scottish Government guidance presented to IJB in September 2022. The workforce plans are subject to annual evaluation by all partners as adjustments to incorporate commissioning decisions and the impacts arising from delivering the medium-term financial plan.</p> <p>Responsible officer: Chief Officer</p>	<p>Update</p> <p>Workforce plans are currently under development by the Council and NHS involving HSCP managers in their development. These will feed into the next Joint workforce plan required by the Scottish Government</p> <p>Responsible officer: Chief Officer</p> <p>Date: June 2025</p>
<p>3.1 Governance and Transparency (2021/22)</p>	<p>Recommendation-</p> <p>The IJB should invite the Council and NHS to have a joint training session in order to ensure there is clarity over roles and responsibilities within the IJB, Council and</p>	<p>Implemented</p> <p>Joint seminar programme arrangements in place, with range of topics delivered in 2024 targeted at both audit committee and full IJB membership.</p>

Issue/risk	Recommendation and agreed action	Progress
	<p>NHS, and how to embed this across their respective bodies.</p> <p>Agreed action-</p> <p>Ongoing</p> <p>Joint development seminars have happened throughout the year – invitation is extended for all appropriate/relevant sessions. New suite of development sessions to be planned following self-assessment and a similar process will be followed.</p> <p>Responsible officer: Chief Officer</p>	
<p>3.2 Governance and Transparency (2021/22)</p>	<p>Recommendation-</p> <p>As part of the development of an Engagement and Community Strategy, the IJB should seek the views of the local community and other stakeholders as to how open and transparent it is perceived to be and any improvements which would be welcome in that area.</p> <p>Agreed action-</p> <p>Ongoing</p> <p>Participation and Engagement strategy due for review by end 2023/24. IJB is engaging with NHS and SIC colleagues around place based engagement to maximise opportunity for involvement and minimise impact of “consultation fatigue”. Plan to include gathering views on openness and transparency in engagement planned for</p>	<p>Superseded</p> <p>See update on prior recommendation above - 2.1 Financial Sustainability (2022/23)</p>

Issue/risk	Recommendation and agreed action	Progress
	spring 2024 collaboratively with NHS. Responsible officer: Chief Officer Agreed date: June 2024	

Shetland Islands Integration Joint Board

2023/24 Annual Audit Report

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