

Clackmannanshire and Stirling Integration Joint Board

2019/20 Annual Audit Report



Prepared for Clackmannanshire and Stirling Integration Joint Board and the Controller of Audit

19 November 2020

Contents

Key messages	3
Introduction	4
Part 1 Audit of 2019/20 annual accounts	7
Part 2 Financial management and sustainability	10
Part 3 Governance, transparency and best value	16
Appendix 1 Action plan 2019/20	20
Appendix 2 Significant audit risks identified during planning	24
Appendix 3 Summary of national performance reports 2019/20	27
Appendix 4	28

Key messages

2019/20 annual report and accounts

- 1 Our audit opinions on the annual accounts of the Clackmannanshire and Stirling Integration Joint Board (the IJB) are unqualified and report that the accounts present a true and fair view of the financial position of the IJB.
- 2 Covid-19 created additional challenges for both IJB and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.
- 3 The approach to writing the Management Commentary should be reviewed to secure improvements in the structure and content of the document including clearer performance and financial information and to better highlight organisational achievements for the year under review.

Financial management and sustainability

- 4 The IJBs financial position remains challenging and the organisation implemented a recovery plan in 2019/20 which included additional contributions of £0.957 million from partners. Despite this, the IJB incurred an in-year loss of £0.281 million which was financed from earmarked reserves.
- 5 Budgetary processes provide the IJB with timely and reliable information for monitoring financial performance. Further improvements to financial reporting would be achieved if partner financial reporting were aligned with the IJB processes to enable a better understanding of costs across the whole partnership.
- 6 Although a medium-term financial plan is in place it will need to be revised and updated to reflect the longer-term impacts of Covid-19.

Governance, transparency and best value

- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board and the organisation conducts its business in an open and transparent manner.
- 8 Covid-19 significantly impacted on the effective operation of the established governance arrangements within the organisation. The changes made by the IJB to address this were appropriate and effective.
- 9 As part of the review of the governance framework the IJB should look to update the supporting documents including the integration scheme, scheme of delegation and counter-fraud policy.
- 10 Additionally, the IJB can demonstrate a range of arrangements to ensure best value although reporting of performance information has been delayed as a result of Covid-19.

Introduction

- 1.** This report is a summary of our findings arising from the 2019/20 audit of Clackmannanshire and Stirling 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 24 March 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](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: [Code of Audit Practice 2016](#)

3. After 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. The impact of the global coronavirus pandemic during the final month of 2019/20 will continue to be felt into financial year 2020/21 and beyond. This has, and will continue to have, significant implications for the provision and costs of services including the suspension of planned projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

4. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland is responding](#), setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

Adding value through the audit

5. We add value to the IJB, through audit, by:

- regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Audit and Risk Committee on key challenges in the Covid environment
- sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised accounts and audit timetable
- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

6. 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

7. 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.

8. 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.

9. 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
- Best Value arrangements.

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

11. 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.

12. 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

13. 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.

14. 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.

15. 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 in due course.

16. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit. This is especially appreciated during the particularly challenging circumstances arising due to the Covid-19 pandemic.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Our audit opinions on the annual accounts of Clackmannanshire and Stirling Integration Joint Board are unqualified and report that the accounts present a true and fair view of the financial position of the IJB.

Covid-19 created additional challenges for both IJB and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

The approach to writing the Management Commentary should be reviewed to secure improvements in the structure and content of the document including clearer performance and financial information and to better highlight organisational achievements for the year under review.

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

Our audit opinions on the annual accounts are unqualified and report that the accounts present a true and fair view of the financial position of the IJB

17. The annual accounts for the year ended 31 March 2020 were approved by the board on 25 November 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view of the financial position of the IJB 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.

18. The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly.

The annual accounts were signed off in line with the revised statutory deadlines

19. The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow Integration Joint Boards to determine their own revised timetable for the Annual Accounts. The IJB did not need to use the powers in the 2020 Act to postpone the publication of the unaudited accounts, and these were submitted to us for audit on 24 June 2020 in line with the original timetable.

20. Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with IJB staff. Our

planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges we were able to deliver the audit in line with the new statutory deadline.

Overall materiality is £1.9 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 accounts.

22. On receipt of the unaudited annual accounts we reviewed our materiality judgements and concluded that they remained appropriate. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£1.900 million
Performance materiality	£1.140 million
Reporting threshold	£50,000

Source: Audit Scotland, 2019/20 Annual Audit Plan

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. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team are directed. Appendix 2 also identifies the work we undertook to address these risks and our conclusions from this work.

24. We have no issues to report from our work on the risks of material misstatement.

We have no significant findings to report on the annual accounts

25. 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. We have no significant findings to report.

26. Additionally, there were no misstatements above our reporting thresholds identified from our audit.

The Management Commentary needs to improve to provide a clear account of the IJB's strategy, objectives and performance during the year

27. Management Commentaries are intended to assist users of the financial statements to understand them and the IJB more generally. They provide context for the financial statements, an analysis of past performance, and an insight into the priorities of the IJB and the strategies adopted to achieve its objectives.([Good Practice Note: Management Commentaries](#))

28. The IJB should take the opportunity to review the content of the management commentary to make it clearer for the reader of the accounts to understand the financial and performance information for the year under review. Areas for improvement include:

- the opportunity to use infographics and tables to make the information more understandable and impactful;
- identify what the key performance indicators are and how well the IJB is doing in achieving these targets and any remedial actions where appropriate, to address performance;
- the structure of the report is such that where figures are identified it is not clear if they are key performance indicators or how they support the strategic objectives of the organisation; and
- the financial information should be clearer to allow a better read across to the core financial statements.



Recommendation 1

Review and update the management commentary to improve the structure and content, including clearer performance and financial information and better highlight the organisational achievements for the year under review.

Limited progress was made on prior year recommendations

29. The IJB has made limited progress in implementing our prior year audit recommendations. For 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 IJBs financial position remains challenging and the organisation implemented a recovery plan in 2019/20 which included additional contributions of £0.957 million from partners. Despite this, the IJB incurred an in-year loss of £0.281 million which was financed from earmarked reserves.

Budgetary processes provide the IJB with timely and reliable information for monitoring financial performance. Further improvements to financial reporting would be achieved if partner financial reporting were aligned with the IJB processes to enable a better understanding of costs across the whole partnership.

Although a medium-term financial plan is in place it will need to be revised and updated to reflect the longer-term impacts of Covid-19.

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

Financial management

30. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Finance Officer (CFO) has sufficient status to be able to deliver good financial management;
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB;
- reports monitoring performance against budgets are accurate and provided regularly to budget holders;
- monitoring reports do not just contain financial data but are linked to information about performance; and
- IJB members provide a good level of challenge and question budget holders on significant variances.

The IJB incurred an overspend in 2019/20

31. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and the Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. When the 2019/20 budget was set in March 2019, there were savings requirements of £6.222 million required in order to break even. Savings options of £2.293 million were approved, which left a remaining funding gap of £3.929 million.

32. An update on the budget position was provided at the Board meeting in July 2019 which outlined that the savings requirements had increased to £7.226 million. Updated savings options of £3.202 million were presented to this meeting which still left a funding gap of £3.980 million for 2019/20. A total of £0.620 million of the savings were highlighted as a red risk (i.e. at high risk of not being achieved).

33. Financial reports to the Board during 2019/20 consistently forecast a year-end deficit. This ranged, prior to additional recovery actions and use of reserves from a peak of £4.612 million in the financial report at 31 May 2019 to £3.108 million in the financial report at 31 January 2020 (of which £1.325 million was attributed to Set Aside).

34. Part of the IJB's expenditure in 2019/20 relates to the Set Aside budget for in-scope integration functions of the NHS that are carried out in a large hospital setting. The set aside sum recorded in the financial statements reflects the budgeted figures for 2019/20 and therefore does not fully reflect actual hospital use.

35. NHS Forth Valley currently meet the associated cost pressures with the set aside budget, which resulted in an overspend of £1.317 million for 2019/20. In future years, once the IJB take full responsibility for the Set Aside element, this could represent an additional area of risk to the financial sustainability if the partnership is required to fund any resulting overspends from this budget.

36. The reported year end deficit, prior to the impact of the IJB's recovery plan agreed with partners, was £2.038 million. To address this, the recovery plan actions achieved new savings of £0.800 million, and the partners contributed a further £0.957 million on an agreed risk sharing basis. The remaining £0.281 million, which represents the final IJB deficit as summarised in [Exhibit 3](#), was funded from earmarked reserves.

37. This was an improved position from 2018/19 when the recovery plan was £3.203 million and partners contributed £2.452 million. After additional savings the 2018/19 deficit was £0.383 million.

Exhibit 3

Performance against budget

IJB budget summary	Budget £m	Actual £m	(under)/overspend £m
NHS Forth Valley	146.542	145.868	(0.673)
Stirling Council (includes Service Income)	41.357	43.371	2.014
Clackmannanshire Council (includes Service Income)	21.870	20.717	(1.144)
Other Expenditure			0.084
Total Net Expenditure			0.281
Reserves at beginning of the year			1.977
Earmarked Reserves used in 2019/20			0.574
Earmarked Reserves created in 2019/20			0.293
Reserves at end of 2019/20 – all Earmarked			1.696

Source: IJB Financial Report for year ended 31 March 2020 (June 2020) and Annual Accounts 2019/20

38. The financial impact of Covid-19 was limited in the 2019/20 financial year as this ended on 31 March 2020, only a few weeks after the pandemic began to impact Scotland.

Partner financial reporting needs to be aligned to improve financial monitoring arrangements

39. All funding and expenditure for the IJB is incurred by partners' bodies and processed in their accounting records. The finance teams of NHS Forth Valley, Stirling Council, and Clackmannanshire Council operate independently, use different financial systems, and report separately to the IJB Chief Finance Officer. The IJB relies on each partner body to provide accurate and timely financial monitoring information in order to prepare its financial performance reports. This presents a challenge for aligning financial monitoring data for the IJB.

40. The existing finance reports that are presented quarterly to the Board are largely based on the reporting styles for each of the three partner bodies. While this is useful for management information purposes, we have previously reported that more work is required to unify the categories of expenditure across the IJB.

41. As the IJB looks to make efficiency savings and put a recovery plan in place to deal with the impact of the Covid-19 pandemic, it is essential to have a full understanding of costs across the partnership to assist in identifying and managing future transformation programme requirements and efficiencies. The IJB has recognised this risk, however further progress still needs to be made to align financial reporting as far as possible.



Recommendation 2

Align partner financial reporting to improve the efficiency of the IJB's financial monitoring and enable a better understanding of costs across the partnership.

42. Despite the challenges in the current arrangements we have concluded that there are sound financial management procedures in place. The Chief Finance Officer has arrangements in place to identify all income, expenditure and balances; and report financial information to the IJB. Financial reports are presented at each Board meeting. These give a projection of the year end outturn along with reasons for projected under or overspend. They also provide details of any changes made to the budget or projected outturn since the last reporting date.

Financial sustainability

A medium-term financial plan has been developed but requires updating for future Covid-19 implications

43. Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

44. The Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning. As part of the financial planning process for 2019/20 onwards, the IJB reviewed the outcomes from the MTFS in order to outline the potential options for sustainable service

delivery in future years and has, for the first time, begun to prepare a medium-term financial plan.

45. This has identified options for sustainable service delivery over the next three financial years aligned to the Strategic Commission Plan 2019-22. The accompanying report to the Board outlined that financial sustainability going forward will be extremely challenging and will require a combination of service transformation and redesign alongside a degree of service reduction.

46. The establishment of a Transforming Care Board was approved by the IJB Board to support and monitor the change programmes required to meet the ambitions of the Strategic Commissioning Plan 2019-22.

47. The budget for 2020/21 was presented to the IJB Board meeting in March 2020. As part of the budget, the IJB presented its first five-year financial plan which identified that there is a savings requirement of £19.660 million over the five-year period to 2025. The financial plan outlines that the IJB has identified savings plans of £8.818 million, however a cumulative budget gap of £10.841 million remains over the five-year period as noted in [Exhibit 4](#).

Exhibit 4

Funding gap for the five-year period 2020/21 to 2024/25

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Estimated savings requirements	6.214	3.383	3.225	3.469	3.368
Savings identified to date	(5.787)	(3.031)	-	-	-
Cumulative Gap still to be identified	(0.427)	(0.352)	(3,225)	(3,469)	(3,368)

Source: 2020/21 Budget presented to the Board: March 2020

48. The figures above include £1.905 million of estimated savings requirements over the five-year period for the Set Aside budget. The IJB have estimated savings plans in place totalling £1.361 million, meaning there is an estimated funding gap of £0.544 million relating to Set Aside to 2024/25.

49. The budget papers demonstrated that the IJB had a funding gap of £0.427 million for 2020/21. The IJB had identified £4.426million of savings plans in order to address estimated savings requirements of £4.853 million. However, there is a significant element of risk to the savings plans identified, with £4.276 million of the savings assessed as an amber risk (that they may not be achieved).

50. Covid-19 will likely have a significant impact on the IJB's future financial plans in both the short and medium term. The IJB has agreed a mobilisation plan with the Scottish Government (SG), as part of the totality of the mobilisation by NHS Forth Valley. As part of this, a cost tracker has been implemented as well as weekly finance returns to SG to continually monitor and update the position as information becomes clearer.

51. The latest update provided to the IJB Board meeting in September 2020 outlined that the total cost for the IJB's Covid-19 Mobilisation Plan was £11.598 million. This figure includes £3.265 million of savings plans identified as part of the budget that are assessed as being at risk. Many actions supporting the savings plans required to be paused as a result of staff responding to Covid-19 challenges.

52. The IJB plan to address these challenges through their Recovery and Renewal Plan, which looks to build on the successes of the Covid-19 response to implement both recovery and renewal plans in tandem. This will be implemented throughout 2020/21 with regular operational update reports taken to the Board.

53. The IJB medium term financial plan (MTFP) has not yet been updated to reflect the impact of Covid-19. The IJB intends to update their MTFP once impacts become clearer in order to make best use of scenario based financial planning modelling. It is important that the IJB updates their MTFP as soon as possible once more clarity on financial impacts is obtained.



Recommendation 3

Update the Medium-Term Financial Plan to reflect the impact of Covid-19 at the earliest appropriate opportunity.

Reserves strategy

54. The IJB's reserve strategy has not been subject to review since the body's inception. In our 2018/19 Annual Audit Report, we recommended that the IJB should update the document to set out a minimum reserves level and agree on a tolerable threshold in respect of overspends and the agreed funding arrangement to meet future overspends. The IJB had planned to carry out a full review of the reserves strategy during 2019/20, however this work has been delayed.

55. The un-earmarked element of the general fund balance was nil throughout the year. The deficit, prior to recovery actions, would have resulted in a negative balance in this element of the general fund balance had the partner bodies not provided additional funding of £0.957 million as part of the recovery plan.

56. While the partners reached agreement on how to finance the overspend in 2019/20, this agreement does not currently extend to 2020/21 should a similar overspend occur.



Recommendation 4

Update the IJB reserves strategy to set out a minimum reserves level and agree on a tolerable threshold in respect of overspends and the agreed funding arrangement to meet future overspends.

Financial governance

Financial systems of internal control operated effectively

57. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that the IJB has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

58. The IJB relies on the health board and both councils for its key financial systems such as the ledger and payroll. All transactions are processed through the respective partners' systems and all the controls over systems are within these bodies, rather than the IJB.

59. As part of our audit approach we sought assurances from the external auditor of NHS Forth Valley, Stirling Council and Clackmannanshire Council (in

accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls for the health board and no weaknesses in the systems of internal controls at either Council which would have an impact on the IJB.

Internal audit

60. Internal audit provides the IJB board and the Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

61. We carried out a review of the adequacy of the internal audit function and concluded it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

62. We consider internal audit report findings as part of our wider dimension work.

Standards of conduct and arrangements for the prevention and detection of fraud and error

63. The IJB has a range of activities in place designed to maintain standards of conduct including a Code of Conduct for members. Registers of members' interests are in place for Board Members and these are available to view via the relevant partner body websites.

64. As part of the assurances obtained from the external auditors of the partner organisations, it was confirmed that each of the partner organisations had in place effective polices for bribery and corruption, including established whistleblowing procedures for officers. It is the IJB's intention to develop its own whistleblowing procedures and counter fraud arrangements during 2019 which will increase the mechanisms in which staff can report issues.

65. The IJB has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues that we need to record in this report.

Arrangements for preventing fraud and corruption in the procurement function

66. Our consideration of financial management includes evaluating the arrangements in place for preventing and detecting fraud and corruption. Instances of fraud and corruption can be particularly prevalent in the procurement function.

67. The IJB itself does not procure and as such they rely on the arrangements in place within the partner bodies. The IJB works closely with its partners to allow them to be informed of any issues that arise and follow the relevant policies of its partner bodies, such as the whistleblowing and gifts and hospitality, as appropriate.

Part 3

Governance, transparency and best value



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board and the organisation conducts its business in an open and transparent manner.

Covid-19 significantly impacted on the effective operation of the established governance arrangements within the organisation. The changes made by the IJB to address this were appropriate and effective.

As part of the review of the governance framework the IJB should look to update the supporting documents including the integration scheme, scheme of delegation and counter-fraud policy.

Additionally, the IJB can demonstrate a range of arrangements to ensure best value although reporting of performance information has been delayed as a result of Covid-19.

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.

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board

68. The governance and transparency arrangements we consider include:

- Board and committee structure and conduct;
- overall arrangements and standards of conduct including those for the prevention and detection of fraud, error, bribery and corruption;
- openness of board and committees; and
- reporting of performance and whether this is fair, balanced and understandable.

69. The IJB voting members are three elected councillors nominated by Clackmannanshire and Stirling Council and six non-executive and executive directors nominated by NHS Forth Valley. The IJB also has representation from a wide range of non-voting members including service users, staff representatives, third sector and advisory members.

70. The Board is responsible for the management and delivery of health and social care services in the Clackmannanshire and Stirling area and is supported by an Audit and Risk Committee and Finance and Performance Committee. In addition, a Transforming Care Board was set up in March 2020.

71. The Board, Audit & Risk Committee and Finance & Performance Committee met on a regular basis throughout the year. The papers provided by officers are of a good standard and provide members with a good overview of the issues being

covered, together with more detailed information as appropriate. This helps to ensure that issues are widely debated at committee meetings.

72. The IJB is supported in its work by a Chief Officer and Chief Finance Officer. The former provides strategic and operational advice to the Board while the latter is responsible for financial management including budget monitoring reports.

73. After a period of organisational change, a permanent Chief Officer was appointed in June 2019. The IJB now intends to update the governance framework and review the IJBs approach to service delivery during 2019/20.



Recommendation 5

As part of the review of the governance framework the IJB should look to update the supporting documents including the integration scheme, scheme of delegation and counter fraud policy.

74. In March 2019, the IJB approved the new Strategic Commissioning Plan for 2019-2022. The Plan provides the strategic direction for how health and social care services will be shaped in Clackmannanshire and Stirling in the coming years and describes the transformation that will be required to achieve the partnerships visions.

75. Overall, governance and accountability arrangements are satisfactory, however there is an opportunity for these to be updated to support the IJB going forward.

The COVID-19 pandemic had a significant impact on governance arrangements from March 2020

76. The impact of Covid-19 from March 2020 has been set out in the Governance Statement in the IJB's annual accounts. We note that the following steps were taken to amend governance arrangements:

- delegated powers were agreed to allow the Chief Officer and the HSCP the flexibility to adapt to the significant public health challenges;
- decisions taken under delegated authority are logged and support the Local Resilience Management Team and Mobilisation plan;
- working with partners at local and national level to respond to the pandemic and implementing business continuity plans to ensure services deliver and support the most vulnerable and at-risk residents; and
- virtual Board, Audit and Risk Committee and Finance and Performance Committee meetings were held.

77. The revised arrangements in place are reasonable and effective in supporting good governance and accountability.

The IJB operates in an open and transparent manner

78. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

79. There is evidence from a number of sources which demonstrate the IJB's commitment to transparency. Full details of the meetings held by the IJB and the

Audit & Risk Committee are available through the partnership's own website where all Board and Audit & Risk committee papers can be viewed.

80. The IJB receives regular financial monitoring reports, after these have been taken to the Finance & Performance committee. All meetings of the Board and the Audit & Risk Committee are open to the public to attend.

81. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

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

Arrangements are in place to secure Best Value

82. 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.

83. The IJB demonstrates how it is meeting its BV duties through its reporting against key performance indicators, the progress the partnership is making towards delivering the priorities of the Strategic Commissioning Plan, and through its financial performance reporting mechanisms.

84. The Strategic Commissioning Plan identifies the high-level priorities for the partnership, which were identified by the Strategic Planning Group. In order to do this, the IJB consulted with a wide range of service users, including an online survey, hosting public engagement events in each locality, and carrying out staff engagement to gather views on how services are being delivered.

85. The Strategic Commissioning Plan recognises that to provide sustainable services the partnership will need to make savings or service efficiencies of between £5 - £6 million in the coming years. To achieve this, the IJB is focussing on priorities, with emphasis on supporting people to live in their own homes or homely settings as long as possible. The medium-term financial plan and delivery plan aim to ensure that this can be done on a sustainable basis.

86. The Transforming Care Board supports and monitors the change programmes required to meet the ambitions of the Strategic Commissioning Plan 2019-22. This Board will also underpin the Savings and Efficiency Programme.

87. Overall, the IJB is taking steps to provide better alignment between its strategic vision, financial planning and delivery of savings. This needs to be sustained in order to demonstrate that the IJB is meeting its BV duties.

Reporting of performance information has been delayed as a result of Covid-19

88. 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.

89. The draft Annual Performance Report (APR) was submitted to the September 2020 IJB Board meeting and was subsequently uploaded to the web site. The report largely contains the required content as laid out by the 2014 Act, except with regards to reporting on localities - this matter was raised in previous Annual Audit Reports.

90. The IJB has three distinct localities and the development of Locality Plans for each area is ongoing. As a result of the Covid-19 pandemic, the IJB has been unable to carry out service user engagement in order to understand what the specific needs are for each area.

91. The Annual Performance Report (APR) Core Suite of Integration Indicators are normally reported in the Scottish Health and Care Experience Survey commissioned by the Scottish Government. Data relating to these indicators for 2019/20 was originally due to be published in April 2020 but, due to staff redeployment during the COVID-19 pandemic, the publication was delayed and so the most recent survey results are not yet available for inclusion in the APR. The survey results will be published later in 2020.

92. The performance information that is currently available shows that the IJB's overall performance has declined from the prior year. Six performance indicators are reporting poorer results in 2019/20, with only one performance indicator showing improved performance.

93. In previous APR's the IJB have reported performance information against both the Scotland and comparator averages. For 2019/20, this information is not included in the report and it is difficult to assess how well the IJB is performing in comparison to the other integration joint boards.

94. The IJB have recently introduced a Service Improvement Plan which was presented to the Board meeting held in September 2020. The Strategic Improvement Plan combines legacy commitments and new actions into one document whilst reflecting the priorities of the current Strategic Commissioning Plan.

95. The Improvement Plan includes actions against recommendations made in the Healthcare Improvement Scotland and Care Inspectorate Joint Inspection in 2018, focusing particularly on the integration of community health and social care services and approach to commissioning of local services.

96. The format of the Improvement Plan has taken the Strategic Commissioning Plan priorities and identified key actions across each of them. This should enable the IJB to focus on carrying out the delivery of the key actions in order to drive improvement across the partnership.

National performance audit reports

97. 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>Management Commentary</p> <p>The structure and content of the management commentary could be improved to make the performance and financial information clearer.</p> <p>Risk.</p> <p>There is a risk that the information within the management commentary does not accurately capture the performance and financial information.</p>	<p>The IJB should review and update to improve the structure and content, including clearer performance and financial information and better highlight the organisational achievements for the year under review.</p> <p>Paragraph 28</p>	<p>Agreed action: Approach to narrative in future years will be reviewed aligning style to other corporate documents, particularly Annual Performance Report, and incorporating more use of infographics.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 30 June 2021</p>
2	<p>Financial Management</p> <p>The finance teams of NHS Forth Valley, Stirling Council, and Clackmannanshire Council operate independently, use different financial systems, and report separately to the IJB Chief Finance Officer.</p> <p>Risk</p> <p>There is a risk that financial monitoring data is not accurately accounted for.</p>	<p>Align partner financial reporting to improve the efficiency of the IJB's financial monitoring and enable a better understanding of costs across the partnership.</p> <p>Paragraph 41</p>	<p>Agreed action: An improvement plan for financial reporting will be developed with additional finance team capacity assisting in improving consolidation and presentation of information.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 May 2021</p>
3	<p>Financial Sustainability</p> <p>The IJB has a savings requirement of £6.214 million per the 2020/21 budget settlement. Ongoing cost and demand pressures of approximately £19.660 million per year are projected over the next 5 years. These projections were made prior to the impact of Covid-19.</p> <p>The Covid-19 pandemic has introduced further financial challenges. The estimated additional cost of Covid-19</p>	<p>Update the MTFP to reflect the impacts of Covid-19 at the earliest appropriate opportunity.</p> <p>Paragraph 53</p>	<p>Agreed action: Medium Term Financial Plan to be reviewed and updated as part of budget setting process for 2021/22</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 March 2021</p>

between March 2020 and March 2021 is £11.598 million.

Risk –

The IJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.

4	Reserves strategy The IJB reserves strategy does not set out a minimum reserves level. While the partners reached agreement on how to finance the overspend in 2018/19, this agreement does not currently extend to 2019/20 should a similar overspend occur.	Update the IJB reserves strategy to set out a minimum reserves level and agree on a tolerable threshold in respect of overspends and the agreed funding arrangement to meet future overspends. Paragraph 56	Agreed action: Reserves Strategy to be reviewed and updated and presented to Audit and Risk Committee for recommendation to IJB. Risk Sharing arrangements will be reviewed as part of review of Integration Scheme. Responsible officer: Chief Finance Officer (Reserves Strategy) / Chief Officer (Integration Scheme) Agreed date: 31 March 2021 (Reserves Strategy) / 30 June 2021 (Integration Scheme)
5	Update of governance documents There are a number of policies and documents that have not been updated. Risk: There is a risk that the existing governance documents do not reflect current arrangements.	As part of the review of the governance framework the IJB should look to update the supporting documents including the integration scheme, scheme of delegation and counter fraud policy. Paragraph 73	Agreed action: Completion of review of Integration Scheme was postponed earlier in 2020 due to pandemic. Responsible officer: Chief Officer (Integration Scheme and Scheme of Delegation) / Chief Finance Officer (other governance policies) Agreed date: 30 June 2021

Follow up of prior year recommendations

B/f 1.	Hospital Acute Services (Set Aside) Arrangements for the sum set aside for hospital acute services under the control of CSIJB are not yet operating as required by legislation and statutory guidance. A notional figure, based on historical usage, has been agreed and included in the annual report and accounts for each year since inception of the IJB. This was expected to be a transitional arrangement; however, an extension was agreed by the Scottish Government. NHSFV and CSIJB should prioritise	The IJB should agree a basis for the set aside budget with NHS Forth Valley that will be implemented once the current transitional arrangements end.	Not actioned: A pan Set Aside expert group has been established and is developing a workplan to address the planning and financial issues associated with set aside arrangements. Responsible officer: Director of Acute Services NHS Forth Valley / IJB Chief Officer(s) / IJB Chief Finance Officer(s). Target Date: 31 March 2021
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establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2019/20

Risk

There is a risk that in future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.

B/f	Consolidated Income & Expenditure Account - income	Income received in return for the provision of a specific service should be presented as income in the relevant service line in the current and future year's accounts.	Complete: Expenditure and income have each been grossed in the CIES to reflect income generated by the partners in return for the provision of services. This has no impact on the deficit reported for the financial year
B/f	Financial management	Partner financial reporting should be aligned to improve the efficiency of the IJB's financial monitoring and enable a better understanding of costs across the partnership.	Partly actioned: Continue to work with constituent authorities to improve quality and use of financial and non-financial data (e.g. activity) to support continuous improvement in reporting. Revised action: Refer to point 2 above. Responsible officer: Chief Finance Officer
B/f	Financial planning and sustainability	The IJB must ensure that its transformation programme identifies and delivers the sustainable savings required to meet the projected funding gap. This will include alternative means of service delivery and, in some cases, may result in service reductions. As part of this, the IJB should work with its partners to identify the key	Partly actioned: Transforming Care Programme Board established in March 2020. This Board will be responsible for ensuring that the transformation programme identifies sustainable savings options and will monitor progress and delivery. Revised action: Refer to point 3 above.

	<p>budget gap of £6.300 million remains over the three-year period.</p> <p>Risk:</p> <p>The board may not be able to deliver the targeted savings or identify the residual savings required over the three-year period of the financial plan.</p>	<p>areas where efficiencies and savings can be achieved.</p>	<p>Responsible officer: Chief Finance Officer</p>
B/f 5.	<p>Reserves strategy</p> <p>The IJB reserves strategy does not set out a minimum reserves level. While the partners reached agreement on how to finance the overspend in 2018/19, this agreement does not currently extend to 2019/20 should a similar overspend occur.</p> <p>Risk:</p> <p>Partners may not agree a basis for financing a recovery plan should an overspend arise in future years.</p>	<p>The IJB should update the reserves strategy to set out a minimum reserves level and agree on a tolerable threshold in respect of overspends and the agreed funding arrangement to meet future overspends</p>	<p>Not actioned: Review of reserves strategy not undertaken during 2019/20.</p> <p>Revised action: Refer to point 4 above.</p> <p>Responsible officer: Chief Finance Officer</p>
B/f 6.	<p>Mainstreaming equality</p> <p>A review of equality policies and the publication of equality outcomes has not been carried out since 2016.</p> <p>Risk: The Board may not be fulfilling its equality duties.</p>	<p>The IJB should review its mainstreaming equality duties and policies to reflect the recent updates to strategy documents and development of locality plans and publish its equality outcomes.</p>	<p>Not actioned: Review of Equalities Mainstreaming Policy and publication of equality outcomes required by the Equality Act 2010. Equalities update is scheduled to be provided to the IJB meeting in November 2020</p> <p>Responsible Officer: Programme Manager</p> <p>Target Date: 31 March 2021</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Management override of controls International Standard on Auditing 240 (ISA240) requires 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.	<ul style="list-style-type: none"> Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business. Substantive testing of transactions around the year end to confirm income and expenditure are accounted for in the correct financial year. 	<p>Reviewed the significant accounting estimates and did not identify any issues.</p> <p>Reviewed the process, accuracy and completeness of consolidating the financial reports from the three host bodies.</p> <p>Confirmations of testing by external auditors of the Council and Health Board for journal entries, and testing over the completeness, accuracy and allocation of income and expenditure were obtained in the form of written assurances.</p> <p>Conclusion: there is no evidence of management override of controls at the IJB.</p>
2 Fraud in income recognition Under ISA 240 there is a presumed risk that income may be fraudulently misstated due to the improper recognition of income.	<ul style="list-style-type: none"> We have rebutted the risk of material misstatement caused by income recognition; therefore, no specific procedures are required as part of our planned audit work. We will, however, review management arrangements for confirming year end balances with partners. We will also confirm with the auditor of partner bodies that they have carried out audit work covering the financial systems which provide the IJB income recorded in the accounts. 	<p>We obtained assurances from the auditors of the partner bodies over the accuracy and completeness of transactions coded to IJB account codes.</p> <p>Conclusion: As we rebutted the risk around fraud over income and expenditure no specific work was carried out.</p>

Audit risk	Assurance procedure	Results and conclusions
3 Fraud over expenditure	<p>The Financial Reporting Council's Practice Note 10 requires auditors of public bodies to consider the risk of significant misstatement in the financial statements due to manipulation and fraud over expenditure recognition</p> <ul style="list-style-type: none"> • We have rebutted the risk of material misstatement caused by fraud in expenditure, therefore no specific procedures are required as part of our planned audit work. • We will, however, review management arrangements for confirming expenditure for the year and year end balances with partners. • We will also confirm with the auditor of partner bodies that they have carried out audit work covering the financial systems which produce expenditure incurred by the IJB in its accounts. 	<p>We obtained assurances from the auditors of the partner bodies over the accuracy and completeness of transactions coded to IJB account codes.</p> <p>Conclusion: As we rebutted the risk around fraud over income and expenditure no specific work was carried out.</p>

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

4 Financial sustainability	<p>Financial sustainability 2019/20 budget overspend During 2019/20, the IJB has faced a number of financial challenges including:</p> <ul style="list-style-type: none"> • The 2019/20 budget outlined that savings and efficiencies of £7.282 million were required to break even. The IJB identified savings of £3.302 million, some of which are at risk of not being achieved. Therefore, there is a residual budget gap of £3.980 million for 2019/20. • The latest budget monitoring report for the period to 30 November 2019 projects a deficit of £2.078 million for 2019/20. <p>The IJB brought forward £1.977 million of earmarked general fund reserves into 2019/20. Discussions are ongoing to agree how much (if any) of the reserves balance can be used to fund the projected deficit.</p> <p>The recovery actions in place will not deliver the efficiency savings required. Therefore, there is a risk that the IJB will not achieve a breakeven position in 2019/20. The integration scheme outlines, in broad terms, the procedures that</p>	<ul style="list-style-type: none"> • Review and assess the progress in identifying required savings with partner bodies and their impact. • Appraise the approach for agreeing year end IJB outturns between partner bodies. • Consider the extent to which partners agree a basis on which to fund the overspend. • Review the progress the IJB have made towards agreeing the 2020/21 budget and agreeing the efficiencies required to break even. <p>The IJB were unable to achieve all the efficiency savings necessary to break even in 2019/20. The basis for agreeing the 2019/20 overspend was agreed with partners in accordance with their voting share. This was in accordance with one of the options in the integration scheme.</p> <p>Conclusion: The IJB continues to face challenges to identify and deliver the efficiency savings that are necessary to break even over the medium term. Action is required to ensure that the transformation programme delivers the planned level of savings.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>partner bodies should follow in the event of an overspend. As these procedures are subject to agreement, discussions are underway between partners to agree how the projected overspend for 2019/20 will be funded.</p> <p>Period to 2021/22</p> <p>In the medium term the IJB will continue to face a number of financial challenges, including:</p> <ul style="list-style-type: none"> • Efficiencies and savings of £9.982 million have been identified for the three-year period to 2021/22, however, this still leaves a budgeted gap of £6.299 million over this period. • Increasing demand for services, particularly within adult social care and set aside services. • Continued volatility in prescribing costs and increase in demand. <p>There is a risk to financial sustainability and the sustainability of future services.</p>		
5 Financial Management		
<p>A three-year financial plan is in place for 2019/20 to 2021/22. This identifies the savings required to achieve a balanced budget over the three-year period. However, this requires to be aligned to the IJBs most up to date strategic plan and the consequent directions issued to the partner bodies.</p>	<ul style="list-style-type: none"> • Monitor progress in linking financial plans to the IJBs strategic plan and objectives. • Review the progress the IJB have made towards agreeing the 2020/21 budget and agreeing the efficiencies required to break even over the medium term. 	<p>A medium-term financial strategy has been developed.</p> <p>This is being refined to ensure it aligns to any amendments to the strategic commissioning plan 2019-22.</p> <p>Conclusion: The IJB has a medium-term financial strategy in place. This has been aligned to the strategic commissioning strategy 2019-22, although further alignment is planned. The IJB needs to ensure that its transformation programme identifies and delivers the sustainable savings required to meet the projected funding gap.</p>

Appendix 3

Summary of national performance reports 2019/20

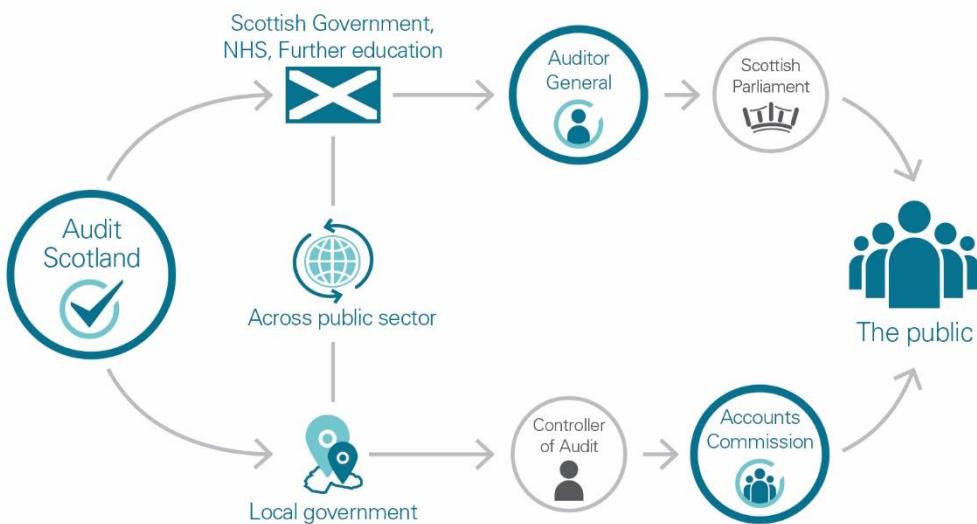
2019/20 Reports		
	Apr	
Social security: Implementing the devolved powers		May
Scotland's colleges 2019		Jun
		Enabling digital government
	Jul	
NHS workforce planning - part 2		Aug
Finances of Scottish universities		Sept
NHS in Scotland 2019		Oct
	Nov	
Local government in Scotland: Financial overview 2018/19		Dec
Scotland's City Region and Growth Deals		Jan
		Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb	
	Mar	 Early learning and childcare: follow-up

Appendix 4

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.

Clackmannanshire and Stirling Integration Joint Board

2019/20 Annual Audit Report

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