

# Inverclyde Integration Joint Board

2019/20 Annual Audit Report



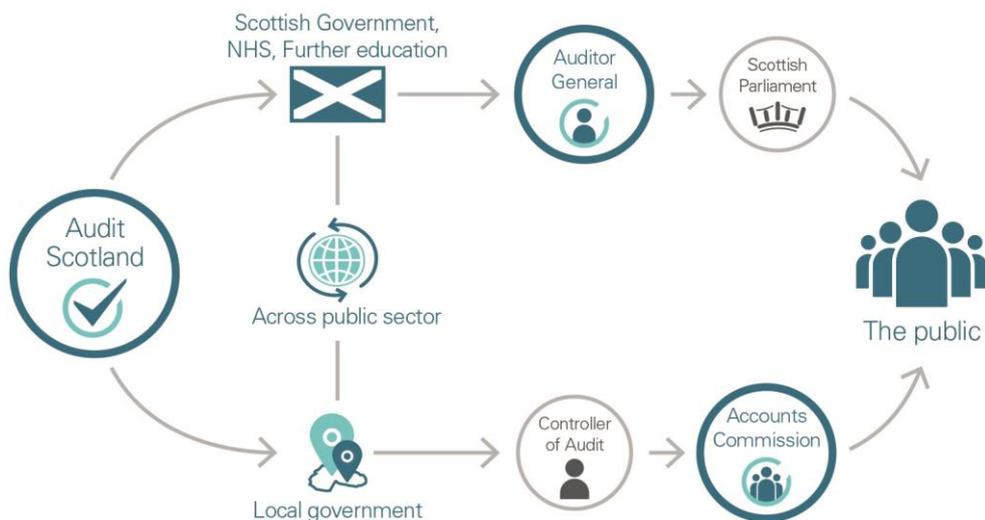
 AUDIT SCOTLAND

Prepared for Inverclyde Integration Joint Board and the Controller of Audit  
November 2020

## Who we are

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

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



## About us

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

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

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

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# Key messages

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## 2019/20 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are all unmodified
- 2 The annual accounts were submitted for audit on time, but the limitations of remote working impacted on our audit timetable.
- 3 A new methodology has been applied to determining the costs of hospital set-aside and this resulted in a prior year adjustment of £6.2 million, however the expenditure is matched by funding and there is no impact on the IJB's outturn or accumulated reserves.

## Financial management and sustainability

- 4 The 2019/20 budget was balanced and the IJB reported an underspend of £1.2 million due to achievement of savings and some non-recurrent underspends
- 5 The IJB approved an indicative budget for 2020/21 in March 2020 based on the confirmed funding offer from Inverclyde Council and indicative funding offer from NHS GG&C. To date the NHS GG&C offer has not been formalised so the indicative budget remains active.
- 6 As at August 2020, net additional costs of £6.7 million are projected in 2020/21 due to Covid-19, but further funding is expected to cover this. The medium-term financial plan agreed in March 2020 will require revision to account for the impact of Covid-19.

## Governance, transparency and best value

- 7 Overall governance and transparency arrangements were effective, although the arrangements for demonstrating Best Value need to be formalised.
- 8 The Covid-19 pandemic had a significant impact on
  - service demand and delivery models
  - review of the Integration Scheme
  - implementation of Locality Planning Groups
  - performance reporting

# Introduction

1. This report is a summary of our findings arising from the 2019/20 audit of Inverclyde Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit Committee meeting on 17 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 \(Exhibit 1\)](#).

## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the global coronavirus pandemic. This impacted on the final month of the year and will continue to have a significant impact into financial year 2020/21. We have carried out our planned audit work remotely to comply with travel restrictions and physical distancing requirements.

## Adding value through the audit

4. We add value to the IJB, through audit by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
  - 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

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

## Responsibilities and reporting

6. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

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

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

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

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

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

## Auditor Independence

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

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

15. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2019/20 annual accounts



### Main judgements

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

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

**A new methodology has been applied to determining the costs of hospital set-aside and this resulted in a prior year adjustment of £6.2 million, however the expenditure is matched by funding and there is no impact on the IJB's outturn or accumulated reserves.**

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

### Audit opinions on the annual accounts were unmodified

**16.** The annual accounts for the year ended 31 March 2020 were approved by the IJB on 2 November 2020. We reported within the independent auditor's report that:

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

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

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

**18.** The accounts were submitted to us for audit on 26 June 2020 in line with the original agreed timetable. Our original intention was that the audit could be concluded by 30 September. However, the limitations of remote working did impact on our audit timetable and the audit took longer. The IJB has used the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to postpone the publication of the audited accounts. A Notice of Postponement was posted on the IJB website on 29 September to reflect this.

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

**20.** Audit Scotland's [Covid-19: Guide for audit and risk committees \(August 2020\)](#) recommends that members consider whether there is sufficient capacity to deal

with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19.

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

### Overall materiality is £1.8 million

**22.** 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.

**23.** On receipt of the unaudited annual accounts we reviewed our materiality calculations [Exhibit 2](#) and concluded that they could be increased based on the higher level of gross expenditure than originally budgeted by the IJB. This did not have a significant impact on our audit approach.

## Exhibit 2 Materiality values

Materiality level	
Overall materiality	£1.8 million
Performance materiality	£1.3 million
Reporting threshold	£50 thousand

Source: Audit Scotland,

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

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

### We have one significant finding to report from the audit.

**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. The significant finding is outlined in [Exhibit 3](#)

## Exhibit 3 Significant findings from the audit of the financial statements

Findings	Resolution
<b>Estimates of hospital set aside</b>	
In our 2018/19 Annual Audit Report, we recommended that the ongoing work by the NHS	The expenditure is matched by an equivalent funding contribution so there is no impact on the

Greater Glasgow & Clyde (NHSGG&C) Set Aside Group should move to actual costs and activity for 2019/20 in line with Scottish Government expectations and to determine consumption of hosted services.

From 2019/20, the set aside value is now based on a detailed approach including actual spend and activity levels for the year (where information is available); and estimated annual activity (where it is not).

This new methodology was also applied to the prior year set aside figure. This resulted in the 2018/19 figure being increased by £6.2 million.

IJB's outturn or on accumulated reserves and NHS GGC is responsible for managing any overspends on the set-aside budget. On this basis, we do not consider it is a significant accounting estimate for Inverclyde Integrated Joint Board.

We received assurances from the auditor of NHS Greater Glasgow and Clyde that the set aside figures in the IJB accounts had been reviewed for the purposes of the NHSGGC audit and confirmed that they agreed to the corresponding amounts in the NHSGGC financial statements.

## **There were no material adjustments to the unaudited accounts**

**26.** There were no material adjustments to the unaudited accounts arising from our audit.

## **Good progress has been made with the implementation of prior year recommendations**

**27.** The IJB has made good progress in implementing our prior year audit recommendations. One of our 2019/20 recommendations is now complete, with mitigating actions in place to manage some of the risks identified in the second recommendation. Any remaining residual risks are being tolerated by the IJB.

# Part 2

## Financial management and sustainability



### Main judgements

The IJB approved an indicative budget for 2019/20 on 19 March and following receipt of formal offers from the Council and Health Board on 21 March and 3 June the IJB formally approved the budget on 24 June



An underspend of £1.2 million (0.7%) was achieved in 2019/20 due to achievement of savings and some non-recurrent underspends

The IJB has not finalised its budget before the start of 2020/21 due to delays in the NHS confirming the formal funding offer. However, an indicative budget has been agreed

As at August 2020, net additional costs of £6.7 million are projected in 2020/21 due to Covid-19, but further funding is expected to cover this

The medium-term financial plan agreed in March 2020 will require revision due to Covid-19. It is unclear how all planned future savings will be achieved in the medium to long term.

There is some slippage in Transformational Fund spend

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

### The 2019/20 budget was not approved till June 2019 but was balanced

**28.** The 2019/20 budget was not approved until 24 June 2019 due to funding from NHS GG&C not being confirmed until 3 June. The budget was set at £154.9 million with agreed savings of £1.4 million. This was broadly in line with the indicative budget agreed in March 2019.

**29.** Savings plans included income growth through charging and the loss of 16.3 FTE posts. 2019/20 savings were delivered in full.

### An underspend of £1.2 million (0.7%) was achieved in 2019/20 due to achievement of savings and some non-recurrent underspends

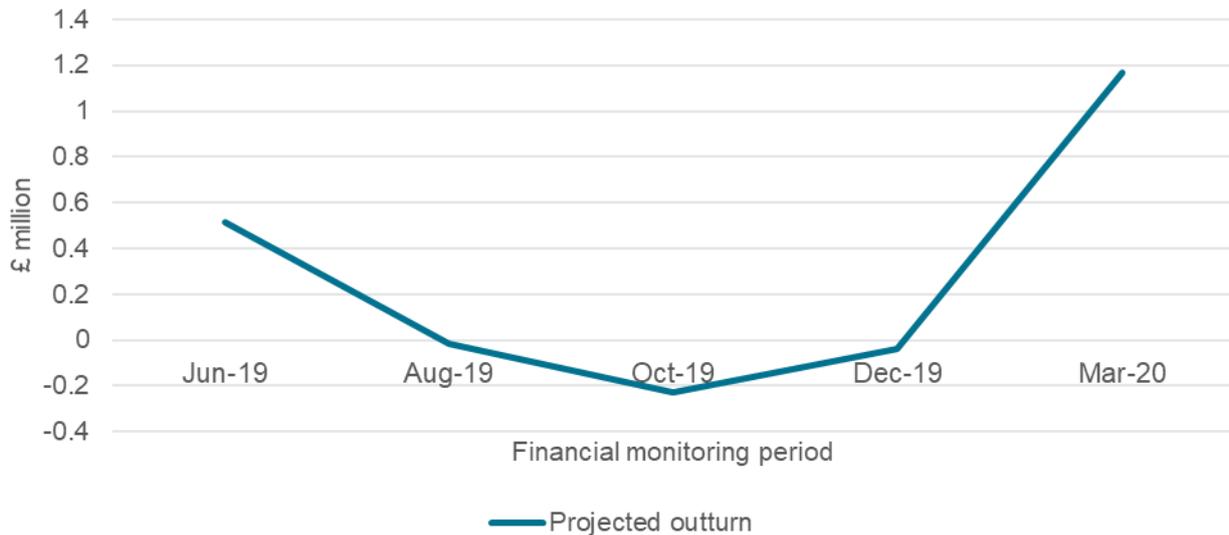
**30.** As detailed in [Exhibit 4](#), the IJB forecast an overspend for 2019/20 of £0.04 million at period 9, but this was recovered, and the audited accounts disclose an overall underspend for the year of £1.2 million as a result of some non-recurrent underspends

- social care services - due to delays in filling vacancies and additional funding received in year (£0.5 million); and
- health services - due to delay in filling vacancies, slippage on procurement of external services and early delivery of future year savings (£0.7 million).

31. The impact of Covid-19 on the costs in 2019/20 has not been established.

## Exhibit 4

### Reporting of the projected year-end outturn 2019/20



Source: IJB Monitoring Reports

### Written reports to the IJB on financial management continue to be out of date, but verbal reports are provided to compensate

32. The Chief Financial Officer (CFO) of the IJB regularly reports on the financial position to the IJB and the Audit Committee. In 2017/18 and 2018/19, we reported that the Board does not have the opportunity to scrutinise an up-to-date financial position, due to delays in reporting. Timelines for committee paper submission in the partner organisations mean that finance reports often don't reflect the recent position by the time they come to the IJB.

33. This issue is now mitigated by the CFO verbally reporting any significant changes to financial forecasts that have occurred, since the date of the latest written report, at each meeting from the October report onwards. Any residual risks to financial management are tolerated by the IJB.

### The IJB has not finalised its budget before the start of 2020/21 due to delays in the NHS confirming the formal funding offer. However, an indicative budget has been agreed

34. In March 2020, the IJB approved an indicative budget of £167.8 million for 2020/21. The budget would normally be formally agreed in June once NHSGGC had confirmed their prior year outturn and financial plan for the year to come. However, due to a delay in publication of NHSGGC's 2019/20 audited financial statements, this has not yet taken place. The IJB does not anticipate any changes to the indicative figures.

35. Within the indicative budget, the proposed Set Aside budget for 2020/21 is £24 million which is 42% higher than the 2019/20 indicative budget (£17 million). The increase results from the work to revise the estimated costs of unscheduled care services. This revised methodology has been used as the basis for the set aside allocation in 2020/21.

36. The indicative budget includes estimated cost pressures of £2.5 million in Social Care and £1.9 million in Health. These pressures are to be met by increased

funding from the council (£1.5 million), health funding uplift of 3% for all recurring budgets (£1.9 million) and agreed identified savings (£1.0 million).

### **As at August 2020, net additional costs of £6.7 million are projected in 2020/21 due to Covid-19, but further funding is expected to cover this**

**37.** At the end of August, the IJB forecast a 2020/21 year-end operating projection of £6.7 million relating to Covid-19 costs for which £1.2 million of additional funding has been already been confirmed. Further funding is anticipated, but not yet confirmed, for the balance of £5.5 million (£4.1 million Social Care Services and £1.4 million Health). This is partially offset by an anticipated underspend of £0.1 million on Social Care core budgets bringing the overall potential budget pressure to £5.4 million.

### **The IJB's medium-term financial plan will require revision due to Covid-19**

**38.** An updated Financial Plan 2020/21 to 2024/25 was agreed by the Board in March 2020 which aligns to the new five-year Strategic Plan for the same period.

**39.** A detailed analysis of costs and demands is included and scenario planning (looking at a range of options around each assumption to establish best case, worst case and probable outcomes). Taking into account costs, demands and estimated changes to funding using the five-year outlook for the Scottish budget, the Financial Plan estimates a funding shortfall of £7.9m over the period 2021/22 to 2024/25.

**40.** This shortfall however does not include the projected impact of Covid-19 on health and social care budgets. The medium-term financial plan agreed in March 2020 will therefore require revision to account for the scale of the financial challenge posed by Covid-19. The IJB recognises that the most significant risks are:

- Financial sustainability around cost pressures and funding linked to unfunded/ unanticipated/ unplanned demand for services and/or partners being unable to allocate sufficient resources; and
- Financial Implications of Responding to Covid-19 – all costs are being tracked and the IJB is actively engaged with Scottish Government and providing regular updates on associated costs. Governance arrangements are in place regarding approval and monitoring of costs. The IJB is actively engaging with the third and independent sector in relation to their associated costs.

**41.** In response to the Covid-19 pandemic, and in common with all IJB's, the IJB is submitting regular financial mobilisation plans to Scottish Government detailing the additional costs being incurred in addressing the pandemic both by the IJB and their providers.



#### **Recommendation 1**

### **The financial plan should be updated to account for the scale of the financial challenge posed by Covid-19**

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#### **A reserves strategy is in place and the level of reserves continues to grow**

**42.** The IJB approved its reserves strategy in May 2016. During 2019/20, £4.0 million of Earmarked Reserves were used to fund specific spend and projects, an

additional £5.4 million was transferred into Earmarked Reserves and £0.2 million of the General Reserve was used, leading to a net increase of £1.2 million in reserves over the year. This has resulted in an overall accumulated reserves balance of £8.5 million.

**43.** A new earmarked reserve (£0.4 million) was also created in 2019/20 in relation to ringfenced Covid-19 funding received from Scottish Government.

**44.** The reserve balance includes £0.7 million (0.4% of net expenditure) in unearmarked reserves to meet unforeseen contingencies.

### **It is unclear how all anticipated future savings will be achieved in the medium to long-term**

**45.** The IJB is required to make efficiency savings to maintain financial balance. As outlined at paragraph 34 above, a balanced budget has been set for 2020/21 which includes agreed identified savings of £1.0 million. The five-year financial plan also includes savings targets of £1.9 million in 2021/22 and £7.9 million cumulative savings by 2024/25. Savings options in excess of this amount are being developed for 2021/22 to address this and savings proposals are being developed to achieve the medium to long-term targets. However, as set out at paragraphs 39-40 above, it is important to ensure that future savings plans reflect the potential impact of the pandemic.



#### **Recommendation 2**

### **Savings plans and proposals should continue to be developed to meet anticipated savings targets**

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#### **There is some slippage in Transformational Fund spend**

**46.** In 2017/18 the IJB created a Transformation Fund to support the overall change programme and delivery of the Strategic Plan. Bids are initially made through the Transformation Board and subsequently ratified by the IJB. At 31 March 2019, the Fund had grown to £2.5 million. At Period 5 (August) 2019/20 £1.7 million of the Transformation Fund was committed to 26 projects. However, by 31 March 2020, only £0.5 million had been spent against these projects.

**47.** A report by the Chief Officer to the IJB in January 2020 detailed progress to date and returns on investment through the Transformation Fund. The report also notes however that there are a number of projects that have been allocated funding but not yet spent the funds for various reasons. The IJB has reprioritised strategic plans for 2020/21 in terms of Covid-19 but has kept many of the big change programmes such as Learning Disability redesign and Addictions Review in place, incorporating some new changes. The Chief Officer has committed to providing a further update on these projects to a future IJB meeting. We will continue to monitor the IJBs achievement of planned transformation and cost savings projects.

#### **The host bodies have sound systems of internal control**

**48.** The IJB does not have any financial systems of its own, instead it relies upon the financial systems of the host bodies to record all transactions.

**49.** As part of our audit approach we sought assurances from the external auditor of NHS GG&C and Inverclyde Council (in accordance with ISA 402) and confirmed there were no significant weaknesses in the systems of internal controls for both the health board and the Council.

## **Internal audit arrangements are effective**

**50.** The work of internal audit provides the IJB and the Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

**51.** The IJB's internal audit function is carried out by the internal audit department of Inverclyde Council.

**52.** In 2019/20 we did not place any formal reliance on internal audit. However, we did consider their work throughout the year for any potential impact on our work. There were no issues identified by internal audit that have had an impact on our audit of the IJB's annual accounts.

## **The host bodies have sound arrangements for the prevention and detection of fraud and error**

**53.** The IJB uses the financial systems of Inverclyde Council and NHS Greater Glasgow and Clyde (NHSGGC) and so arrangements for the prevention and detection of fraud, bribery and corruption in respect of the financial systems is the responsibility of these organisations.

**54.** We have received assurances from the auditors of NHSGGC and Inverclyde Council (in accordance with ISA 402) that there are no issues of concern.

# Part 3

## Governance, transparency and best value



### Main judgements

**Overall governance and transparency arrangements were effective**

**Review of the Integration Scheme has been delayed further due to Covid-19**

**Implementation of Locality Planning Groups has been delayed**

**The annual review of Best Value should be formalised demonstrating how the IJB is achieving Best Value**

**Performance reporting has been disrupted by Covid-19, but the IJB is taking action to address its high number of emergency admissions**



Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. Best Value is concerned with using resources effectively and continually improving services.

### Overall governance and transparency arrangements were effective

**55.** The IJB has 20 members and is comprised of eight voting members; four elected members of Inverclyde Council and four non-executive members of NHSGG&C as well as a number of professional members and stakeholder representatives.

**56.** The IJB is supported by an Audit Committee. Our observations at committee meetings throughout the year has found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

**57.** Full details of the meetings held by the IJB are available on Inverclyde Council's website; committee papers and minutes of meetings are publicly available; and members of the public are permitted to attend and observe meetings. Public notice of each meeting is given on the council's website.

### The governance arrangements were changed in response to Covid-19

**58.** The impact of Covid-19 from March 2020 has been set out in the Governance Statement in the IJB's annual accounts. The following adjustments were made to normal arrangements:

- The IJB approved and initiated temporary decision-making arrangements. These temporary arrangements will be in place for as long as is necessary, subject to ongoing review. Under these temporary arrangements, authority is delegated, if required to meet immediate operational demand, to the Chief Officer and the Chief Financial Officer in consultation with the Chair and Vice Chair of the IJB.

- Any decisions made under temporary delegated authority are recorded in the approvals/decision tracker log that captures the approval timeline, with reports shared with IJB Members for information.
- The approval/decision tracker log includes any decisions with financial implications for the IJB. This is supported by a mobilisation plan which has been approved by the Scottish Government. Discussions in relation to further funding are ongoing.

**59.** Overall, the changes to governance arrangements were reasonable and no specific risks have been identified.

**60.** The Audit Committee will consider their response to our report [COVID-19: Guide for audit and risk committees \(August 2020\)](#) at its meeting in November 2020.

## Review of the integration scheme has been delayed further due to Covid-19

**61.** Councils and their partner health boards have a statutory duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to review the Integration Scheme every five years. The current Integration Scheme was due to be reviewed by March 2020.

**62.** A report by the Chief Officer to the IJB in January 2020 provided a timeline for the review of Inverclyde's Integration Scheme. The report outlined that an initial draft was prepared in January 2020 which was in the process of being finalised prior to circulation to Councils and the Health Board for comment.

**63.** The timeline envisaged that a final version of the updated scheme would be submitted to the Council and Health Board for approval in April/May 2020, with formal submission to the Scottish Government by 1 July 2020. However, the Covid-19 pandemic led to approval of the updated scheme being delayed and the existing Integration Scheme has been rolled forward into 2020/21. This matter has been set out in the Governance Statement in the IJB's annual accounts.



### Recommendation 3

**The updated Integration Scheme should be approved and submitted to the Scottish Government as soon as practicable.**

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## A new workforce plan has been agreed

**64.** In August 2020, the IJB agreed its Workforce Plan 2020-2024. This replaces the previous People Plan and supports the IJB's Strategic Plan 2019-24. The new plan includes:

- Links to the Strategic Plan, its 6 Big Actions and the delivery roadmaps for each action
- Engagement & Participation – the plan was created in liaison with partners and stakeholders
- Demand drivers – including national policy, guidance, regulation and governance as well as the impacts of economics, demographics and local priorities
- An Inverclyde context – the particular issues facing the Inverclyde workforce and demand for HSCP services now and going forward, both of which are influenced by a declining and ageing population leaving fewer people of working

age in the area and increasing the number of elderly local people requiring support

- Strategic Commissioning, market facilitation and the links between workforce planning and purchased services in a successful mixed model economy
- Future workforce – recruitment and retention of staff, training and the need for a Learning & Development Board within the HSCP to support staff development and succession planning
- An intermediate Action Plan.

**65.** The Workforce Plan is to be revisited at least every two years by the Strategic Planning Group and Staff Partnership Forum, to ensure that it remains fit for purpose.

### Implementation of Locality Planning Groups has been delayed

**66.** The Covid-19 pandemic has delayed the implementation of Locality Planning Groups across Inverclyde. These will be responsible for the development of their respective Locality Action Plans outlining how they will drive forward and deliver transformational change in line with agreed strategic policy and priority areas. Locality Action Plans will set out how community planning partners, including the HSCP, will improve the experience of those who access and use local services, improve outcomes for people living in local communities, ensure services are safe, effective, of high quality, sustainable, provide best value, and address inequalities.



#### Recommendation 4

**Locality Planning Groups should be implemented as soon as possible in order to ensure implementation of plans**

### A formal review should be undertaken of how the IJB is achieving Best Value

**67.** 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.

**68.** Whilst there is evidence of elements of best value being demonstrated by Inverclyde IJB, across a range of areas, the mechanism for formally reviewing and reporting on the arrangements to secure best value should be formalised and published. We therefore recommend that the IJB formally agree a mechanism for undertaking a periodic and evidenced formal review of how it is achieving best value to be reported through the Annual Performance Report.



#### Recommendation 5

**A periodic and evidenced formal review should be undertaken of how the IJB is achieving best value**

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## Performance reporting has been disrupted by Covid-19

**69.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report and publish this with four months of the year end. Due to the Covid-19 disruption, the Scottish Government extended the publication deadline and the IJB's 2019/20 Annual Performance Report was presented to the Board in September 2020.

**70.** [Exhibit 5](#) shows the IJB's performance against the Scottish Government core suite of integration indicators relative to the average performance of other integration authorities in Scotland. For the 9 reported measures, Inverclyde is at, or better than the Scottish average for 3 (green), slightly below in 3 (amber), and behind in 3 (red). The IJB has maintained performance in

- readmission to hospital within 28 days;
- proportion of care services graded 'good' (4) or better in Care Inspectorate inspections; and
- number of days people spend in hospital when they are ready to be discharged (age 75+). Delayed discharge remains a particularly strong area of performance in Inverclyde, showing 166 against a Scottish average of 793 (per 100,000 population).

**71.** Performance has declined slightly in the falls rate (age 65+) and percentage of health and care resource spent on hospital stays where the patient was admitted in an emergency. These indicators have moved from green to amber in 2019/20.

**72.** The red indicators have remained the same as in 2018/19. These cover Emergency bed day rate; Premature mortality rate; and Emergency admission rate.

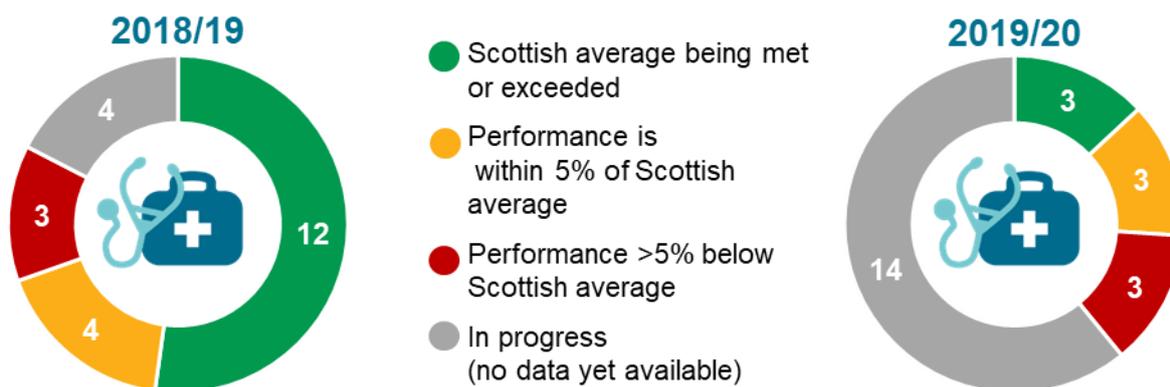
**73.** These continue to be challenging areas for the IJB. In particular, the emergency bed day rate (per 100,000 population) has increased by 16% from 135,045 in 2018/19 to 157,125. The report notes that a number of measures have been put in place to reduce this rate. Premature mortality also remains high but has decreased slightly from 567 per 100,000 persons in 2017 to 550. This is a complex indicator, underpinned by social, health and economic inequalities in the Inverclyde area.

**74.** In relation to emergency admissions, the HSCP secured additional funding to move to 7 day a week addictions services to reduce the number of addictions related weekend admissions. Other measures include work around case management of frequent attenders at A&E and In-reach to A&E by Allied Health Professional as part of a wider seven-point plan to address unscheduled care across Inverclyde across all care groups.

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## Exhibit 5

### Performance against core suite of integration indicators



Source: Inverclyde IJB annual performance reports

Note: Current data is not available for indicators 1-9 (2019/20 Health and Care Experience Survey results) as a result of Scottish Government staff redeployment for COVID-19 work. Public Health Scotland also advised integration authorities to base 2019/20 performance on the 2019 calendar year for most indicators.

## The IJB is taking action to address its high number of emergency admissions

**75.** In order to address the number of emergency admissions, the HSCP secured additional funding to move to 7 days a week addictions service to reduce the number of addictions-related weekend admissions. Other measures include work-around case management of frequent attenders at A&E and “In-reach” to A&E by Allied Health Professional as part of a wider seven-point plan to address unscheduled care across Inverclyde across all care groups.

## The Care Inspectorate published a positive report on criminal justice

**76.** The Care Inspectorate report published in December 2019 had a particular focus on Community Payback Orders. The evaluation applied a six-point scale to score five of the indicators inspected. Three of these were rated as ‘Very Good’ with the remaining two ‘Good’. They key messages included:

- Leaders demonstrated a strong commitment and vision to improve outcomes for individuals which was supported by a clear understanding of their needs and a well-informed strategic plan that was driving improvement.
- A well-embedded performance management framework and access to high quality data analysis, meant leaders could show strong justice service performance that exceeded national targets, sometimes by a considerable margin.
- The justice service was well integrated into the health and social care partnership which strengthened governance arrangements and supported quick and easy access to services for individuals including those aimed at addressing mental health and addiction issues.
- The service undertook appropriate assessments of individuals risk and needs and put plans in place to address these however, the majority were not completed within the expected timescales outlined within National Outcomes and Standards guidance. The guidance highlights that the completion of a full assessment of risk and needs within 20 days is viewed as best practice as it supports early recognition of, and response to, the likelihood and imminence of further offending.

**77.** The Care Inspectorate identified two areas for improvement:

- Senior officers should review policy and practice relating to the timescales for completing Level of Service/Case Management Inventory (LS/CMI) assessments and plans to ensure that a best practice approach is implemented, and clear guidance is provided to staff.
- Senior officers should ensure that quality assurance processes are well embedded in order to improve the quality of practice around statutory reviews and case recording.

### **National performance audit reports**

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

# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Financial Plan</b></p> <p>The medium-term financial plan was agreed in March 2020. This will now require revision to account for the impact of Covid-19.</p> <p><b>Risk – the impact of Covid-19 is not fully appraised and considered in the medium to longer term.</b></p>	<p>Paragraph 41</p> <p>Management should ensure that the financial plan is updated to account for the significant impact of Covid-19 on financial sustainability.</p>	<p>Agreed. The medium-term financial plan is reviewed annually as part of the annual budget process.</p> <p><i>Chief Finance Officer</i></p> <p><i>By 31 March 2021</i></p>
2	<p><b>Savings proposals</b></p> <p>Savings proposals are being developed to meet savings targets for 2020/21 and 2021/22. However, not all anticipated savings have been identified in the medium to long-term.</p> <p><b>Risk – In the absence of fully costed savings proposals there is a risk that the IJB may not achieve financial plan and financial risks facing the IJB may not be clearly understood.</b></p>	<p>Paragraph 45</p> <p>Efficiency savings plans and proposals should continue to be developed to meet anticipated savings targets</p>	<p>Agreed. Work is already underway to develop savings proposals based on estimated funding positions. In line with previous years this will be firmed up once Scottish Government public sector budgets are confirmed in December and will go to the IJB for consideration and approval between Feb and March 2021</p> <p><i>Chief Finance Officer</i></p> <p><i>By 31 March 2021</i></p>
3	<p><b>Integration Scheme review</b></p> <p>The Public Bodies (Joint Working) (Scotland) Act 2014, requires that the current Integration Scheme was due to be reviewed by March 2020. A revised Scheme has not yet been approved due to the impact of Covid-19.</p> <p><b>Risk – the IJB are not complying with the Act and the Integration Scheme does not reflect the current position of the IJB relating to relevant legislation and regulations.</b></p>	<p>Paragraph 63</p> <p>The updated Integration Scheme should be approved and submitted to the Scottish Government as soon as practicable.</p>	<p>Agreed. The IJB will work with the other GG&amp;C IJBs around the timing of this. Current legislative issue being resolved by Scottish Government. Once this is resolved it is anticipated that the 6 IJBs with their Council and Health Board Partners will be able to approve and submit the updated Integration Schemes to Scottish Government.</p> <p><i>Chief Officer</i></p>

*Within 3 months of Scottish Government resolving existing legislative issue*

4	<p><b>Implementation of Locality Planning Groups</b></p> <p>Implementation has been delayed due to Covid-19.</p> <p><b>Risk – Locality Action Plans are not implemented effectively to address the challenges faced across Inverclyde.</b></p>	<p>Paragraph 66</p> <p>Locality Planning Groups should be implemented to oversee the development of Locality Action Plans.</p>	<p>Agreed. This work has inevitably been delayed by Covid-19. However, work is restarting on this now. An initial virtual pilot meeting is due to take place soon for the Port Glasgow Locality Group Head of Strategy &amp; Support Services.</p> <p><i>Head of Strategy and Support Services</i></p> <p><i>By 31 March 2021</i></p>
5	<p><b>Best Value</b></p> <p>The mechanism for formally reviewing and reporting on arrangements within the IJB to secure best value should be formalised and published.</p> <p><b>Risk - Opportunities for improvement through Best Value review may be missed.</b></p>	<p>Paragraph 68</p> <p>A periodic and evidenced formal review should be undertaken of how the IJB is achieving best value.</p>	<p>Agreed. The Best Value Statement is reviewed and updated by officers annually. This will now also be reported to the Audit Committee to ensure full oversight and governance is in place.</p> <p><i>Chief Finance Officer</i></p> <p><i>2 November 2020</i></p>
<p><b>Follow up of prior year recommendations</b></p>			
b/f	<p><b>Set aside</b></p>	<p>Full datasets are in the process of being agreed which will be used to calculate baseline sums for set aside to identify an appropriate tariff. The Scottish Government in their Guidance on Financial Planning for Large Hospital Services and Hosted Services, recommended that this approach should also be used for hosted services</p> <p>The work ongoing by the NHSGGC Set Aside Group should continue to implement the set aside arrangements to move to actual costs and activity for 2019/20 per Scottish Government expectations and determine consumption of hosted services.</p>	<p><b>Complete</b></p> <p>NHS GG&amp;C are now in a position to report the Set Aside figures based on actual expenditure which has resulted in the restatement of 18/19 figures which were previously based on a notional budget figure. Actual figures are now based on a much more detailed approach including actual spend and activity for each year.</p>
b/f	<p><b>Provision of financial information by Council</b></p>	<p>The IJB should review its financial monitoring arrangements and work with partner organisations to</p>	<p><b>Residual risk accepted by the IJB</b></p> <p>Financial monitoring reports were reviewed throughout the</p>

ensure that timely information is available.

year. Although reports are presented at each Board meeting, month end timelines and Committee Services publication schedules mean that there is always an unavoidable lag in written reporting to both the Council and the IJB. To address this the CFO verbally reports significant changes to financial forecasts that have occurred since the date of the report at each meeting from the October report onwards.

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# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>1 Management override of controls</b></p> <p>Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position in the financial statements.</p>	<p>Assurance from host body auditors on the accuracy and completeness of year-end financial reports.</p> <p>Checking accuracy and completeness of consolidation of financial reports from the two partners</p> <p>Detailed testing of significant adjustments at year end.</p> <p>Review of financial monitoring reports during the year.</p>	<p><b>Results:</b> We obtained relevant assurances from the auditors of Inverclyde Council and NHS GGC. We undertook detailed testing of journal entries, accruals and prepayments. We also reviewed accounting estimates and transactions for appropriateness.</p> <p><b>Conclusion:</b> We did not identify any incidents of management override of controls.</p>

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

<p><b>2 Risk to effective financial management</b></p> <p>Our previous annual audit reports for the Integration Joint Board have identified improvements required to the financial reporting process. This includes the timing of financial reporting and the availability of year end forecasts. There is a risk that financial pressures are not identified and managed in a timely manner.</p>	<p>Review financial monitoring during the year and report progress against 2018/19 audit recommendations.</p>	<p><b>Results:</b> Financial monitoring reports were reviewed throughout the year. Although reports are presented at each Board meeting, month end timelines and Committee Services publication schedules mean that there is always an unavoidable lag in written reporting to both the Council and the IJB. To address this for financial monitoring a verbal update was given at the January and March IJBs on any significant variances since the current monitoring report was written.</p> <p><b>Conclusion:</b> Actions have been taken to mitigate this and the residual risk is accepted by the IJB</p>
<p><b>3 Risk to financial sustainability</b></p>	<p>Review financial monitoring reports during the year and the budget recovery plan.</p> <p>Review the medium/long term financial plan when available for reasonableness.</p>	<p><b>Results:</b> Financial monitoring reports were reviewed throughout the year.</p> <p>An updated Financial Plan 2020/21 to 2024/25 was agreed by the Board in March 2020. This aligns to the new five-year</p>

Consider the 2020/21 revenue budget and plans to address any funding gap.

Strategic Plan for the same period.

The Financial Plan estimates a funding shortfall of £7.9m over the period 2021/22 to 2024/25.

This shortfall however does not include the projected impact of Covid-19 on health and social care budgets. The medium-term financial plan agreed in March 2020 will therefore require significant revision to account for the scale of the financial challenge posed by Covid-19.

**Conclusion:** The Financial Plan should be updated to account for the scale of the financial challenge posed by Covid-19.

**See Recommendation 1 in [Appendix 1](#).**

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# Appendix 3

## Summary of national performance reports 2019/20



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

# Inverclyde Integration Joint Board

## 2019/20 Annual Audit Report

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