

# Clackmannanshire and Stirling Integration Joint Board

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Clackmannanshire and Stirling Integration Joint Board and the Controller of Audit  
November 2021

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# Key messages

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## 2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts of the IJB are unmodified.
- 2 The structure and content of the management commentary within the 2020/21 was of an improved standard. However, the production of annual performance data was delayed meaning it wasn't available until late in the audit process.

## Financial management and sustainability

- 3 The IJB has appropriate and effective financial management arrangements in place and returned an underspend of £3.323 million against a budgeted breakeven outturn. This was partly due to the receipt of Scottish Government support for all additional Covid-19 costs.
- 4 Financial management could be improved by aligning the financial reporting of partners to enable a better understanding of costs across the partnership.
- 5 The IJB's medium-term financial plan is based on existing, pre-Covid-19, assumptions. On this basis, a savings requirement of £16-17.5 million is anticipated over the next 5 financial years. The board intends to undertake a full review of the medium-term financial plan as soon as feasibly possible.

## Governance, Transparency and Best Value

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively.
- 7 The organisation's planned review of its governance framework was paused due to the pandemic and the opportunity now exists for the IJB to re-engage the review process. Key areas of focus for the review include the integration scheme, scheme of delegation and counter-fraud policy.
- 8 The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value.
- 9 Detailed performance reporting to the board continued during the pandemic. Performance reporting could be improved through the addition of clear

performance targets to allow assessment of how the IJB is performing relative to expectation.

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# Introduction

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1. This report summarises the findings from our 2020/21 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 in March 2021. This report comprises the findings from:
  - an audit of the IJB's 2020/21 annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The global coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. This has had significant implications nationally for services, sickness absence levels and the delivery planned projects and initiatives Locally, risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our audit work at the IJB to address these risks.

## Adding value through the audit

4. We add value to the IJB, through audit, by:
  - regularly meeting with management to discuss current issues and share knowledge and insights from the wider public sector
  - 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.
5. In doing so, 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 and supplementary guidance, and International Standards on Auditing in the UK. As public sector auditors, we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of corporate governance arrangements, and the financial position and arrangements for securing financial sustainability.

**8.** Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

**9.** 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.

**10.** 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

**11.** 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.

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

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

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# 1. Audit of 2020/21 annual accounts

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

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## Main judgements

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

The structure and content of the management commentary within the 2020/21 was of an improved standard. However, the production of annual performance data was delayed meaning it wasn't available until late in the audit process.

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## Our audit opinions on the annual accounts are unmodified

**14.** The annual accounts for the year ended 31 March 2021 were approved by the IJB on 24 November 2021. As reported in the independent auditor's report:

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

## The Covid-19 pandemic had a limited impact on audit evidence

**15.** The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 pandemic. 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 amended timescales permitted to reflect the impact of Covid-19

**16.** As a result of the continuing impact of Covid-19, the submission deadlines for IJB's audited annual accounts and annual audit reports were extended to 30 November 2021.

**17.** The unaudited annual accounts were received in line with our agreed audit timetable on 23 March 2021. This allowed us to sign off the annual accounts in line with the revised timescales.

## Overall materiality is £2.3 million

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

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

**20.** Our initial assessment of materiality was carried out during the planning stage of the audit. We reviewed this assessment on receipt of the unaudited annual accounts and concluded it remained appropriate. Our 2020/21 materiality levels are summarised in [Exhibit 1](#).

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### Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£2.3 million
Performance materiality	£1.38 million
Reporting threshold	£115 thousand

Source: Audit Scotland

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

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

## **We have no significant findings to report on the annual accounts**

**22.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have no significant findings to report.

**23.** The unaudited accounts were updated for audit adjustments processed at partner bodies and also for an error in the treatment of funding. The total net impact of these adjustments was an increase of £0.337 million to the surplus for the year.

## **Financial and performance reporting in the Management Commentary has improved, however, the production of annual performance data was delayed**

**24.** The Management Commentary that accompanies the financial statements should clearly explain how the IJB has performed against budget and how this is reconciled to the financial statements.

**25.** We included a risk in our annual audit plan relating to the structure and content of the management commentary due to issues noted on the unaudited annual accounts during 2019/20 audit. Additionally, we noted that Covid-19 may impact the availability of performance data for this section of the 2020/21 annual accounts.

**26.** Overall, the Management Commentary within the 2020/21 unaudited annual accounts was of an improved standard in terms of both the content and structure. However, information on non-financial performance was not included due to the delays in the preparation of the IJB's separate Annual Performance Report (see paragraph 62).

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## **Recommendation (follow up from prior year)**

Continue to improve the process for production of the Management Commentary, in particular the timely inclusion of performance data

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## **Moderate progress was made on prior year recommendations**

**27.** The IJB has made some 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](#).

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## 2. Financial management and sustainability

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

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### Main judgements

The IJB has appropriate and effective financial management arrangements in place and returned an underspend of £3.323 million against a budgeted breakeven outturn. This was partly due to the receipt of Scottish Government support for all additional Covid-19 costs.

Financial management could be improved by aligning the financial reporting of partners to enable a better understanding of costs across the partnership.

The IJB's medium-term financial plan is based on existing, pre-Covid-19, assumptions. On this basis, a savings requirement of £16-17.5 million is anticipated over the next 5 financial years. The board intends to undertake a full review of the medium-term financial plan as soon as feasibly possible.

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### The 2020/21 budget included planned savings to address the identified funding gap for the year

**28.** The IJB approved its 2020/21 budget in March 2021. The budget was set at net expenditure of £199.894 million, with a funding gap of £4.853 million. Actions to address this gap included savings from prescribing efficiencies and a planned reduction in reliance on temporary workforce.

**29.** The 2020/21 budget was set at the outset of the pandemic. Uncertainty over the impact of Covid-19 was noted but was understandably not factored into budget projections.

### The IJB returned an underspend in 2020/21

**30.** The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

**31.** The IJB returned an underspend of £3.323 million against its operational budget and overall surplus of £12.516 million taking into account all Covid-19 related funding received in 2020/21. (Exhibit 2).

## Exhibit 2 2020/21 Financial Performance

IJB budget summary	£m
Health Services (NHS Forth Valley)	169.128
Social Care Services (Clackmannanshire Council)	17.326
Social Care Services (Stirling Council)	36.895
<b>Total Net Expenditure</b>	<b>223.349</b>
Funding	235.865
<b>Net Increase in Reserves</b>	<b>12.516</b>
Operational underspend (includes Covid-19 funding)	3.323
Other contributions to reserves	9.193

Source: Clackmannanshire and Stirling Integration Joint Board

**32.** There were a number of contributing factors to the underspend including:

- vacant posts;
- reduced non-pay expenditure due to suspension of services and reduced activity (for example, reduced spend on prescription drugs).

**33.** Scottish Government also provided the IJB with financial support for Covid-19 related costs including support for savings which were not fully delivered due to the impact of the pandemic. This additional support contributed greatly to the IJB returning an overall underspend for the year.

**34.** In total funding of £18.825 million was received in respect of Covid-19 from Scottish Government in 2020/21 (via partner body contributions). Much of this has been retained in reserves for spend in future periods.

### **Reserves increased by £12.516 million in 2020/21, however this position is anticipated to be temporary**

**35.** The IJB operates one reserve, a General Fund reserve which is a resource backed reserved to be used to fund expenditure. The General Fund had a

closing balance of £14.212 million as at 31 March 2021. This was an increase of £12.516 million from the prior year.

**36.** £10.890 million of the reserves balance is earmarked for specific IJB priorities, of which £6.653 million is specifically for Covid-19 related actions or pressures. The IJB also created a contingency fund in the year, which totalled £3.323 million at 31 March 2021. The purpose of this reserve is to mitigate the impact of unexpected events.

**37.** The IJB approved a revised Reserves Policy and Strategy on 22 September 2021 which set the targeted range of general reserves as between 0.5% and 2% of annual budgeted expenditure. As noted in the IJB's 2020/21 Financial Report for the year, the total reserves position is in excess of the targeted range due to the additional Covid-19 mitigating funding received. When taken in isolation, the £3.323 million of uncommitted reserves held as contingency are within the targeted range.

**38.** The comparatively high level of reserves is anticipated to be short lived, with the IJB projecting that £9.064 million will be utilised in 2021/22 (including all Covid-19 reserves).

### **Budget monitoring processes are appropriate, but partner financial reporting should be aligned**

**39.** Budget monitoring reports were submitted to meetings of the IJB throughout the year. The reports forecast the year end outturn position and give narrative on the financial pressures and areas of uncertainty. The final year outturn improved significantly in the final budget report of 2020/21 due to late allocations of Covid-19 related funding.

**40.** Financial information used to create budget monitoring reports is recorded at partner bodies (NHS Forth Valley and Clackmannanshire and Stirling councils). We highlighted in our 2019/20 annual audit report that this was largely based on the reporting styles for each of the three partner bodies, and that this makes understanding of the costs across the IJB as a whole more challenging. Budget monitoring reports are largely unchanged in 2020/21 and our recommendation therefore remains relevant.

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### **Recommendation (follow up from prior year)**

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

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**41.** Overall, senior management and members of the Board receive regular and accurate financial information on the IJB's financial position and we have concluded that the IJB has appropriate budget monitoring arrangements in place.

## **A breakeven budget was set for the 2021/22 financial year, however this is contingent on the achievement of savings**

**42.** The IJB considered its 2021/22 budget in March 2021, however the board decided to delay approval as partner bodies, which directly affect the IJB's available funding, had not yet set their own budgets. The IJB approved the 2021/22 budget in May 2021. A £4.976 million funding shortfall was identified, which is anticipated to be met by a combination of savings and additional funding from partners.

**43.** The IJB's transformation plan included £3.229 million of savings for 2021/22 including:

- Redesign of Learning Disability and Mental Health services
- Medicines optimisation
- Changes to Rural Models of Care
- "Grip and Control" actions at certain care homes

**44.** Many of these savings planned for 2021/22 were rolled forward from previous year, as they were undelivered. As at September 2021 management forecast that £2.500 million of the savings will be delivered leaving a potential shortfall of £0.729 million which will become an additional cost pressure in 2022/23.

## **The medium-term financial plan should be updated for the impact of Covid-19**

**45.** The IJB approved a medium-term financial plan in March 2020, intending to update this each year as part of the budget setting process. The 2021/22 budget was approved by the board in March 2021, however reassessment of the medium-term financial plan was deferred.

**46.** Review of the medium-term financial plan was ultimately carried out by the Finance and Performance Committee and reported to the board in September 2021. The board agreed to continue the existing, pre-Covid-19, plan assumptions and to undertake a full review as soon as feasibly possible. On this basis, a savings requirement of £16-17.5 million is anticipated over the next 5 financial years.

**47.** In our 2019/20 annual audit report we highlighted that the medium-term financial plan should be updated to reflect the impact of Covid-19 at the earliest opportunity. As the plan has not been updated, this recommendation remains relevant in 2020/21.

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## **Recommendation (follow up from prior year)**

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

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

**48.** The IJB is reliant on the systems of its partner bodies, Clackmannanshire Council, Stirling Council and NHS Forth Valley, for its key financial systems, including ledger and payroll. All IJB transactions are processed through the respective partners' systems and all controls over these systems are within the partner bodies, rather than the IJB.

**49.** As part of our audit approach, we sought assurances from the external auditors of Clackmannanshire Council, Stirling Council and NHS Forth Valley (in accordance with ISA (UK) 402) and confirmed there were no significant weaknesses in the systems of internal controls for either the health board or the councils.

### **Standards of conduct and arrangements for the prevention and detection of fraud and error are appropriate**

**50.** The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. The IJB has a Code of Conduct in place to which members subscribe and the Members' Registers of Interest are publicly available on the IJB's website.

**51.** Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

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## 3. Governance, transparency, and Best Value

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

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### Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively.

The organisations planned review of its governance framework was paused due to the pandemic and the opportunity now exists for the IJB to re-engage the review process. Key areas of focus for the review include the integration scheme, scheme of delegation and counter-fraud policy.

The IJB has put in place appropriate arrangements to demonstrate the achievement of Best Value.

Detailed performance reporting to the board continued during the pandemic. Performance reporting could be improved through the addition of clear performance targets to allow assessment of how the IJB is performing relative to expectation.

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### **Governance arrangements throughout the Covid-19 pandemic have operated effectively, however planned review of these arrangements was delayed**

**52.** The IJB made changes to its governance arrangements in response to the pandemic. These have been set out in the Annual Governance Statement in the annual accounts and the key changes were:

- All IJB meetings and committees took place on via remote conferencing in 2020/21, members of the public were able to attend these virtual meetings; and
- In March 2020, the IJB agreed the delegation of urgent decision making authority to the Chief Officer, in response to the pandemic. This delegated authority was reapproved at subsequent IJB meetings and remained in place throughout 2020/21.

**53.** In our 2019/20 annual audit report we noted that the IJB was intending to update its governance framework, including reviewing the integration scheme. Much of the work was paused at the outset of the pandemic as management focussed on service delivery and this recommendation has not yet been actioned.

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## **Recommendation (follow up from prior year)**

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

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**54.** Overall, we consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

## **Arrangements are in place to secure Best Value**

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

**56.** The IJB demonstrates how it is meeting its best value duties through its the progress the partnership is making towards delivering the priorities of its Strategic Improvement Plan and Transformation Plan, and through its financial performance reporting mechanisms.

**57.** The IJB acknowledges the need to improve its arrangements to provide assurance over the delivery of best value and has included an action within the Governance Statement of the Annual Accounts to address this.

**58.** 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 best value duties.

## **Review of adult social care services**

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

**60.** The IJB has assessed the review and reported on this to the Board. The IJB continues to monitor developments as a result of the review.

## IJB performance reporting should be updated to include clear performance targets

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

**62.** 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. As in 2019/20, production of the IJB's Annual Performance Report was delayed in 2020/21. This is currently planned for publication in November 2021.

**63.** IJB service performance is monitored by the board through Quarterly Performance Reports. These reports contain a large amount of data on IJB operations, structured around IJB strategic priorities. Data is presented with many comparator months, which allows trends to be identified. However few targets are identified meaning it's not clear how the IJB is performing relative to expectations.

**64.** Performance reporting could be improved through the addition of clear performance targets to allow assessment of how the IJB is performing relative to expectation.

**65.** The content of performance reporting is currently being reviewed, with an updated Performance Management Framework being approved by the Board in November 2020.

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## Recommendation 1

Performance reporting could be improved through the addition of clear performance targets to allow assessment of how the IJB is performing relative to expectation

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**66.** Reporting was continued throughout the pandemic, although reports for quarter 1 and 2 were delivered later than planned. In many areas demand for services dropped during the initial lock down in Spring 2020, meaning that measures such as the number of delayed discharges were comparatively low.

## National performance audit reports

**67.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 3](#). Many of these reports were included on IJB Audit & Risk Committee meeting agendas during 2020/21.

# Appendix 1

## Action plan 2020/21

### 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Performance Reporting Targets</b></p> <p>IJB performance reports are detailed, but lack benchmarks or targets to put the data in context.</p> <p>There is a risk that the IJB performance reports do not present a clear picture of IJB performance.</p>	<p>Performance reporting could be improved through the addition of clear performance targets to allow assessment of how the IJB is performing relative to expectation.</p>	<p>The requirement to identify and measure performance against agreed targets and indicators is acknowledged as an area requiring review and improvement. We will seek to agree a revised Integrated Performance Framework and monitoring arrangements.</p> <p>Head of Service, Strategic Planning and Health Improvement</p> <p>September 2022</p>

### Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>Management Commentary</b></p> <p>The structure and content of the management commentary could be improved to make the performance and financial information clearer.</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><b>2020/21 Update</b></p> <p>The structure and content of the management commentary was improved in the 2020/21 unaudited accounts. However, non-financial performance data</p>	<p>Partially complete</p> <p>We will seek, with support from constituent authorities, for Core Performance Indicator information and overview of partnership performance to be available earlier in the process in future years.</p> <p>Chief Finance Officer &amp; Head of Service, Strategic Planning and Health Improvement.</p> <p>July 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
	<p>was not included due to the delays in the production of the IJBs Annual Performance Report.</p> <p>Although this data was ultimately available for inclusion within the audit accounts, it was received very late within the audit process.</p> <p>Management should continue to improve their process for production of the Management Commentary, in particular the timely inclusion of performance data.</p>	
<p><b>Financial Management</b></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>There is a risk that financial monitoring data is not accurately accounted for.</p>	<p>The IJB should 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><b>2020/21 Update</b></p> <p>Financial reporting in 2020/21 is unchanged.</p>	<p>Outstanding</p> <p>Work is ongoing in developing more Integrated Financial Reporting however the impacts of the pandemic and onerous additional reporting requirements have limited progress. This remains a priority area for development.</p> <p>IJB Chief Finance Officer June 2022</p>
<p><b>Financial Sustainability</b></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 between March 2020 and</p>	<p>The IJB should update the MTFP to reflect the impacts of Covid-19 at the earliest appropriate opportunity.</p> <p><b>2020/21 Update</b></p> <p>The MTFP has not yet been updated for the impact of Covid-19.</p>	<p>Outstanding</p> <p>Levels of uncertainty in relation to expenditure, funding and certain aspects of policy (e.g. social care provider sustainability) have made this task challenging. An initial assessment of likely impacts has now been made as part of Covid cost reporting to Scottish Government and will be used to inform budget setting and MTFP refresh.</p> <p>Chief Finance Officer</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>March 2021 is £11.598 million.</p> <p>There is a risk that the IJB may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>		<p>March 2022</p>
<p><b>Update of governance documents</b></p> <p>There are a number of policies and documents that have not been updated.</p> <p>There is a risk that the existing governance documents do not reflect current arrangements.</p>	<p>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.</p> <p><b>2020/21 Update</b></p> <p>The scheme of delegation and counter fraud policy have not yet been updated.</p> <p>A review of the Integration Scheme has taken place and the IJB should continue to work with partners to assess if there is need to prepare and approve a revised Integration Scheme in 2022.</p>	<p>Outstanding</p> <p>Review and preparation and approval of revised Scheme of Delegation will be completed by March 2022 when we expect to remove the requirement for current Urgent Decision Making arrangements. We will also reconsider the requirement for a Counter Fraud Policy within this timeframe.</p> <p>Chief Officer &amp; Chief Finance Officer</p> <p>March 2022.</p>

# Appendix 2

## Significant audit risks identified during planning

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

### Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Our audit work did not highlight any instances of fraud arising from management override of control.</p>
<p><b>2. Risk of material misstatement in the management commentary</b></p> <p>In our 2019/20 annual audit report we highlighted that the structure and content of the management commentary could be improved and that there is a risk that the information within the management commentary does not accurately capture the performance and financial information.</p> <p>Management agreed to review their approach to preparation of the</p>	<p>Review of 2020/21 management commentary, with a focus on the financial and performance information.</p>	<p>We concluded that structure and content of the management commentary within the 2020/21 was of an improved standard and met the statutory requirements.</p> <p>However, the production of annual performance data was delayed meaning it wasn't available until late in the audit process.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>management commentary. A full set of accounts has not yet been prepared under these new arrangements, and therefore the risk of material misstatement remains.</p> <p>Additionally, the impact of Covid-19 may reduce the availability of timely and reliable performance data and may compromise the content and accuracy of the management commentary.</p>		

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>3. Financial sustainability</b></p> <p>The IJB has identified longer term financial challenges in previous years arising from cost and demand pressures and developed a savings plan in response.</p> <p>The Covid-19 pandemic has disrupted these savings plans, with more than 50% of the planned £4.853 million savings for 2020/21 being assessed as “at risk”. The IJB estimates that £14.687 million of expenditure has been incurred as a result of its Covid-19 response, much of which has been funded by the Scottish Government.</p> <p>Looking forward Clackmannanshire and Stirling Integration Joint Board’s ability to respond to longer term financial challenges has been disrupted by the COVID-19 pandemic. As a result, there</p>	<p>Review and assess year-end position and the progress and impact in delivering savings.</p> <p>Review and consider the medium-term financial plan and mobilisation plan.</p>	<p>The IJB continues to forecast a challenging medium term financial position, and intends to respond through its Transformation Plan.</p> <p>The Covid-19 pandemic adds additional pressure and uncertainty. The impact of this is not currently included within the IJB’s forecast.</p> <p>We recommend that the IJB updates its medium-term financial plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>is a continued risk to financial sustainability and the sustainability of services in future.</p>		
<p><b>4. Performance</b></p> <p>In 2020/21, the national response to the COVID-19 pandemic has significantly affected Clackmannanshire and Stirling Integration Joint Board's normal service provision.</p> <p>The continuing pressures of the pandemic, both operational and financial, result in a risk that Clackmannanshire and Stirling Integration Joint Board's will not be able to meet the performance expectations of its stakeholders.</p> <p>The pandemic may have also disrupted the IJB's ability to monitor its performance.</p>	<p>Review of progress in achieving targets, understanding the impact of COVID-19 on non-financial performance and the actions being taken to manage performance.</p> <p>Review of the arrangements to collate performance data.</p>	<p>We confirmed that the IJB continued to monitor and report performance throughout the pandemic, although reporting was sometimes delayed.</p> <p>We recommend that performance reports are updated to include clear performance targets.</p>

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# Appendix 3

## Summary of national performance reports 2020/21

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### April

[Affordable housing](#)

### June

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

[Local government in Scotland Overview 2020](#)

### July

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

### January

[Digital progress in local government](#)

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

### February

[NHS in Scotland 2020](#)

### March

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

# Clackmannanshire and Stirling Integration Joint Board

## 2020/21 Annual Audit Report

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