

North Lanarkshire Integration Joint Board

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for North Lanarkshire Integration Joint Board and the Controller of Audit

16 February 2022

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Key messages

2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts are unmodified.
- 2 The annual accounts were signed off later than usual.

Financial management and sustainability

- 3 The 2020/21 funding gap was not fully addressed in the initial budget, but additional Covid-19 funding and an underspend on core activities resulted in a surplus of £37 million. Unachieved savings were fully funded through the Covid-19 allocations.
- 4 The late timing of additional Covid-19 funding made the financial position difficult to forecast
- 5 Total reserves are £53 million, with the majority of this either earmarked or ring-fenced for specific purposes.
- 6 North Lanarkshire IJB has a medium to long term financial plan in place, but this has not yet been updated to reflect the impact of Covid-19.

Governance, Transparency and Best Value

- 7 Finance capacity is being increased
- 8 Performance has been affected by Covid-19, but the IJB has identified the steps required to address this
- 9 Appropriate arrangements are in place to secure Best Value.

Introduction

1. This report summarises the findings from our 2020/21 audit of North Lanarkshire Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Performance, Finance and Audit Committee meeting on 17 February 2021. This report comprises the findings from:
 - an audit of the North Lanarkshire 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 for the way services have been provided with increased costs and unachieved savings due to delayed efficiency and redesign initiatives. There has been significant additional funding provided by the Scottish Government and additional contributions to the IJB budget by NHS Lanarkshire and North Lanarkshire Council towards the end of the financial year.
4. Risks related to the pandemic were included in our Annual Audit Plan, and we have adapted our planned audit work to address any new emerging risks.

Adding value through the audit

5. We add value to the IJB, through our audit, by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports (Appendix 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.

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. Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.
- 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, and the financial position and arrangements for securing financial sustainability.
- 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 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.

1. Audit of 2020/21 annual accounts

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

Key messages

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

The annual accounts were signed off later than usual.

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 16 February 2022. 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 annual accounts were signed off later than usual

15. The unaudited annual accounts were received in line with our agreed audit timetable on 30 June 2021.

16. Our Annual Audit Plan highlighted the ongoing impact of Covid-19 on audit resources and the increased time required to conduct our audit procedures remotely. The IJB is also dependent on the audits of its NHS and council partners, which were affected by Covid-19 too.

17. Our audit process was late in starting due to delays in completing the audit of North Lanarkshire Council and staff absences. Management responses to our audit queries and the IJB meeting cycle meant that we were unable to complete the audit until February 2022.

Overall materiality is £6 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 (gross expenditure in the case of the IJB) and apply what we judge to be the most appropriate percentage level for calculating materiality values.

19. The assessment of what is material is a matter of 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 phase of the audit and. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality	£6 million
Performance materiality	£4 million
Reporting threshold	£200,000

Source: 2020/21 North Lanarkshire IJB Annual Audit Plan

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.

There were no misstatements identified in the annual accounts

23. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no misstatements identified that exceeded our reporting threshold.

Limited progress was made on prior year recommendations

24. The IJB has made limited progress in implementing our prior year audit recommendations. Only one of the five prior year recommendations have been completed. We recognise that the IJB's capacity to progress our recommendations has been affected by Covid-19 and ongoing future uncertainty arising from the pandemic. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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

Key messages

The 2020/21 funding gap was not fully addressed in the initial budget, but additional Covid-19 funding and an underspend on core activities resulted in a surplus of £37 million. Unachieved savings were fully funded through the Covid-19 allocations.

The late timing of additional Covid-19 funding made the financial position difficult to forecast

Total reserves are £53 million, with the majority of this either earmarked or ring-fenced for specific purposes

The IJB has a medium to long term financial plan in place, but this has not yet been updated to reflect the impact of Covid-19.

The 2020/21 funding gap was not fully addressed in the initial budget

25. The IJB approved its 2020/21 budget on 24 March 2020. The budget was set at net expenditure of £634 million, with a funding gap of £9.4 million. Plans to address this gap included the use of earmarked reserves totalling £0.8 million and planned savings of £7 million. Budgeted savings include £1.4 million to be raised from the introduction of a community alarms charge. £1.6 million of the funding gap was allocated to management actions still to be confirmed and therefore the funding gap was not fully addressed at the time of setting the budget.

Additional funding and an underspend on core activities resulted in a surplus of £37 million in 2020/21

26. The 2020/21 budget was revised during the year as the full effect of Covid-19 crystallised and additional funding was announced by the Scottish Government in September 2020 and in January 2021 with a further £12 million between January and March 2021. Key elements of this include Integration Authority

Support funding of £6 million and Adult Social Care Winter Plan funding of £2 million.

27. The IJB received a total of £24 million of additional funding for the response to Covid-19, of which £2.3 million was unspent and has been carried forward in earmarked reserves.

28. Expenditure incurred in 2020/21 was £656 million and this resulted in a surplus of £37 million. Key variances against budget which contributed to the year-end surplus can be split into health care services and social care services. There was a £25 million underspend in health care services. The most significant variances which make this up include an £11 million underspend on locality services, £2.5 million underspend on prescribing activity and £7 million underspend on hosted services led by North Lanarkshire. There was a £12 million underspend in social care services. While there were some under and overspends within this, for example in employee costs and the cost of supplies and services, it is largely as a result of an over-recovery of income of £12 million following additional Scottish Government funding to address the costs of Covid-19 and £2.8 million to cover planned savings not achieved.

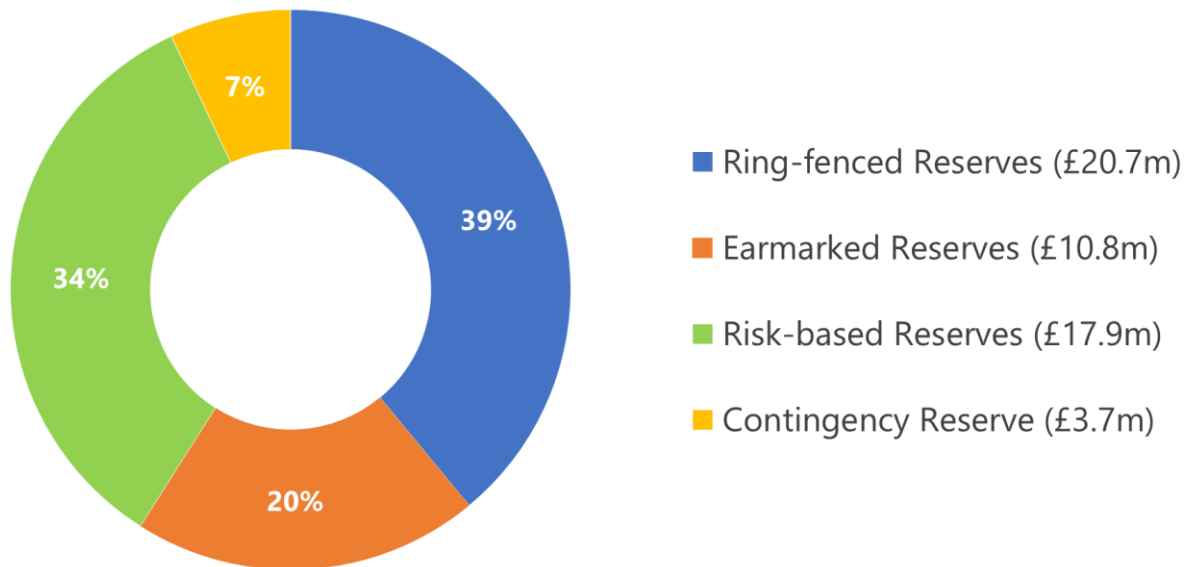
The late timing of additional Covid-19 funding made the financial position difficult to forecast

29. The content of the budget monitoring reports was updated to reflect the financial impact of Covid19. An additional section was included that highlighted additional income received and expenditure incurred as a result of Covid19.

30. Although quarterly financial monitoring reports were presented to committee, the first report was not presented until five months into the financial year and covered the financial results to end of July (health) and end of August (social care). This is consistent with previous years. A forecasted outturn, for either the health or social care partners, was not provided until the Performance, Finance and Audit Committee in February 2021. The forecasted 2020/21 outturn at that time was a £6 million underspend which then changed substantially as a result of additional Covid-19 funding to the £37 million surplus actually achieved.

Total reserves are £53 million, with the majority of this either earmarked or ring-fenced for specific purposes

31. With the £37 million surplus achieved in 2020/21, the balance on the General Fund was £53 million at 31 March 2021. The IJB's reserves position for 2020/21 is summarised at [Exhibit 2](#).

Exhibit 2**Composition of IJB reserves as at 31 March 2021**

Source: 2020/21 North Lanarkshire IJB Annual Accounts

32. The IJB approved its 2021/22 Reserves Strategy in June 2021. The strategy outlines how reserves are to be used and the likely timing of cashflows. £49 million (93%) of the IJB's reserves have been categorised as either ring-fenced, earmarked or 'risk-based'.

33. Ring-fenced reserves are those where funding has been provided by the Scottish Government for specific purposes, such as funding to address Covid-19 costs. Earmarked reserves are those where the IJB has approved the use of reserve balances for specific purposes. For example, in 2021/22, £1 million has been earmarked for speech, language and therapy services and £0.8 million has been earmarked for children and adolescent mental health services. 'Risk-based' reserves are where funds have been earmarked for a specific purpose but there is an element of uncertainty involved. For example, in 2021/22, £3 million has been earmarked to address the potential costs of people developing Long Covid and £0.5 million has been earmarked for prescribing.

34. There is an expectation from the Scottish Government that reserves created using carried forward 2020/21 Covid-19 funding should be used in the first instance to meet 2021/22 Covid-19 cost pressures.

Planned savings were not achieved, but these were funded by the additional Covid-19 funding from the Scottish Government

35. Of the £9.4 million funding gap identified in the 2020/21 budget, £7.1 million of this was to be resolved through planned savings and management actions which were still to be identified at the time. The IJB delivered on £4.1 million (58 per cent) of these savings split across social care and health care services.

36.In social care, 44 per cent of planned savings were achieved. Savings were not fully delivered due to delays in implementing the community alarms charge (£0.8 million) and new cost pressures were identified in year (£1.9 million) as a result of new information and updated financial planning assumptions. In health care services, there was a savings target of £2.1 million. Just under £2 million of these savings were delivered and included the achievement of £1.2 million of savings in prescribing.

37.Non-achievement of savings was met by additional Covid-19 funding.

The Set Aside budget has not been working well nationally

38.The 2018 Scottish Parliament report, “*Looking ahead to the Scottish Government – Health Budget 2019-20: is the budget delivering the desired outcomes for health and social care in Scotland?*”, concluded that the set aside budget is, generally, not operating as intended. Significantly, the report highlights that there is a disconnect between how the set aside budget should operate in principle compared with how it is operating in practice. This means that the set aside mechanism for shifting the balance of care is not being utilised effectively.

39.The risk that resources will not be transferred from Acute Services to the IJB in line with the shift in the balance of care from residential and acute settings to community-based alternatives has been recognised in the IJB’s corporate risk register, categorised as a ‘very high’ risk.

40.NHS Lanarkshire continues to manage any overspend or underspend across the notional set-aside budget and this is not reflected in the IJB. Notwithstanding the national challenges experienced in respect of the implementation of the set-aside concept, NHS Lanarkshire is committed to supporting the shift in the balance of care and continues to work pro-actively with the IJB Chief Officer and IJB Chief Financial Officer to identify opportunities.

The IJB has a medium to long term financial plan in place, but has not yet been updated to reflect the impact of Covid-19

41.The IJB has a medium to long term financial plan in place spanning the period 2020/21 - 2029/30 which is aligned to the Strategic Commissioning Plan. However, the financial plan has not yet been updated to reflect the impact of Covid-19 and financial planning has focussed primarily on the annual budget setting exercise.

42.Reports have been presented to the Board as national funding allocations have been announced which will impact on the IJB’s ability to project costs and funding into the medium and long term. The Scottish Government announced additional funding of £300 million nationally in October 2021 and this has been built into the IJB’s financial planning assumptions, with funding split between the recurring and non-recurring elements. The medium to long term financial plan is to be updated to reflect these financial assumptions.

Covid-19 funding uncertainty continues to affect outturn projections

43. The IJB agreed its 2021/22 budget in March 2021. A funding gap of £2.5 million has been identified. This is being addressed principally through planned savings of £1.5 million and the drawdown of £0.8 million in reserves. A forecasted outturn for 2021/22 has not been made as at December 2021. It is expected that additional Covid-19 costs will be fully funded.

Additional funding from the UK-wide health and social care tax will be available from 2022/23

44. The UK Government recently announced the introduction of a health and social care tax from 2022/23 which will be raised initially from an increase in national insurance contributions.

45. According to the announcement, the new tax should result in an additional £1.1 billion of funding for Scotland. Whilst the distribution of this funding has yet to be decided, the Cabinet Secretary for Health and Social Care has indicated that it will be passported to health and social care.

Financial systems of internal control operated effectively

46. The IJB does not have its own financial systems and instead relies on the systems in place at the host bodies to record all transactions.

47. As part of our audit approach, we sought assurances from the external auditor of NHS Lanarkshire and North Lanarkshire Council and confirmed there were no weaknesses in the systems of internal controls for either the health board or the council.

Planned internal audit work was postponed to 2021/22

48. Internal audit provides the IJB Board with independent assurance on risk management, internal control, and corporate governance processes. Internal audit services to the IJB are provided on a joint basis by North Lanarkshire Council and NHS Lanarkshire.

49. Two internal audit assignments were planned for 2020/21 - an assessment of the IJB's response to the Covid-19 pandemic and a value for money audit of equipment and adaptations. Both were postponed due to resource pressures and will be undertaken during 2021/22. This had no impact on our own audit approach.

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. We reviewed the arrangements in place at North Lanarkshire Council and NHS Lanarkshire and found them to be adequate. The IJB has a Code of Conduct in place to which members subscribe and members are required to

complete a register of interest on an annual basis. We are not aware of any specific issues we require to bring to your attention.

3. Governance, transparency, and Best Value

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

Key messages

Appropriate governance arrangements have been maintained throughout the Covid-19 pandemic.

There is scope for improvements to transparency via the partnership's website

Finance capacity is being increased

Performance has been affected by Covid-19, but the IJB has identified the steps required to address this

Appropriate arrangements are in place to secure Best Value.

Appropriate governance arrangements have been maintained throughout the Covid-19 pandemic

51. North Lanarkshire IJB has made significant 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 included the restriction of committee agenda to critical business items and the continuation of virtual meetings. A decision was taken for approval of matters to be made via email in order to avoid convening special meetings and the standing orders were subsequently updated in December 2021 to reflect this decision.

There is scope for improvements to transparency via the partnership's website

52. Our audit work identified areas of the IJB website which are out of date and have not been revisited following changes to the partnership's structure and operations. Children, families and justice social work services are still identified as a devolved service to the IJB on the website.

Recommendation 1

North Lanarkshire IJB's website should be updated to reflect the current operating model.

Finance capacity is being increased

53. At its meeting in December 2021, the IJB approved a new management structure to accommodate additional capacity in the finance function. The CFO currently has responsibility for two IJBs.

54. Following an options appraisal exercise, it was decided to create a full-time CFO position for each of the North and South Lanarkshire IJBs. The new structure will be established by April 2022, subject to a recruitment exercise.

Appropriate Arrangements are in place to secure Best Value

55. We reported in 2019/20 that initial findings from the IJB's self-evaluation exercise were reported in June 2019 and an update against the improvement action plan was reported in November 2019 and February 2020. The follow-up assessment initially planned for 12 months after the self-evaluation has been postponed due to Covid-19.

56. A Best Value update was taken to the IJB in September 2021. The IJB planned to undertake a self-evaluation exercise in late 2021, with the results to be reported in 2022. It is proposed that the IJB will work closely with the Improvement Service to tailor a self-evaluation checklist to meet the specific needs of the North Lanarkshire IJB. Thereafter, the self-evaluation exercise will be facilitated by the Improvement Service and managed and reported in line with the process set out in the Strategic Self-Evaluation Framework.

57. We have concluded that appropriate arrangements are in place to secure best value and note the follow-up evaluation to be reported on in early 2022.

Consultation on a national care service for Scotland has closed

58. Following an independent review of adult social care services, published in February 2021, the Scottish Government has started a period of consultation on the introduction of a National Care Service. The consultation includes proposals for reformed IJBs and the introduction of Community Health and Social Care Boards with wider responsibilities which would report to a Scottish Minister and be funded directly from the Scottish Government.

59. The Scottish Government's consultation was launched on 9 August 2021 and closed on 2 November 2021. North Lanarkshire IJB's response to the consultation was presented to the Board on 28 October 2021. The response acknowledges that there is a need for change but believes that the current model of delivery requires time to embed and be fully resourced with the funding required.

Performance has been affected by Covid-19, but the IJB has identified the steps required to address this

60. The annual performance report was presented in draft to the IJB in December 2021. The report acknowledges that there is a data gap nationally for a number of performance indicators and calendar year data for 2020 has been used in some instances. Performance levels are measured against a suite of 23 key performance indicators covering areas such as emergency admissions rates and patient satisfaction with GP services.

61. Performance was adversely affected in 2020/21 as the effects of the Covid-19 pandemic materialised. Delayed discharges, A&E attendances and unscheduled bed days remain key focusses for the IJB. The IJB has a corporate performance dashboard which is monitored and reported on a quarterly basis.

62. The annual performance report sets out the next steps for the IJB in improving performance across the statutory indicators. This is supported by the Strategic Commissioning Plan 2020-2023 and Programme of Work 2021-2022 which outline the approach to transformational change required to meet the IJB's commissioning objectives.

National performance audit reports

63. 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](#).

64. In addition, during the year Audit Scotland published a [guide for Audit and Risk Committees on Covid-19](#) which may be of use to the IJB from a governance perspective.

Appendix 1

Action plan 2020/21

2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Website refresh</p> <p>Sections of the North Lanarkshire IJB website are outdated. Children's, families and justice social work services are still noted as being devolved services. There is scope for improved transparency through the website.</p> <p>Risk</p> <p>The IJB's operating model is not transparent for members of the public.</p>	<p>It should be clear who has ownership of the IJB website and responsibility for maintaining it.</p> <p>The website should be refreshed to reflect the IJB's current operating model.</p>	<p>The North Lanarkshire IJB will be updated. Arrangements for maintaining the website will be agreed and will include the identification of a responsible officer to update the website.</p> <p>Responsible officer: IJB Chief Officer</p> <p>Agreed date: 31 March 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/ f 1. Disaggregation of children, families and justice social work services</p>	<p>The IJB should monitor progress against the improvement actions identified in the governance statement and the internal audit review in relation to the transfer of children, families and justice services.</p>	<p>The budget disaggregation exercise is complete, and we identified no errors in the budgets transferred over to North Lanarkshire Council.</p> <p>The Service Level Agreement between the IJB and the Council setting out the hosting arrangements for cross-cutting services has not yet been formally agreed.</p> <p>Responsible officer: IJB Chief Officer</p> <p>Revised date: Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
b/f 2. Financial management	The CFO should continue to work with partners to improve the timing of financial reporting and outturn forecasts.	<p>Outstanding</p> <p>The first financial monitoring report of 2020/21 was presented to committee five months into the financial year.</p> <p>Due to the uncertainty surrounding Covid-19, year-end outturn forecasting was not done for either partner until February 2021.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Revised date: 30 June 2022</p>
b/f 3. Hosted services	The IJB should set out the arrangements that exist in practice for the management of financial risk for hosted services on a permanent basis.	<p>Outstanding</p> <p>The management of hosted services is still not set out in a formal agreement. A further review is being completed to ensure the impact of Covid-19 is reflected in the accounting policy for hosted services.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Revised date: 31 March 2023</p>
b/f 4. 2020/21 budget	The 2020/21 budget should be reviewed due to Covid-19 and clear actions identified to address any funding gap.	<p>A £36.7 million surplus was reported by the IJB in 2020/21. Underachievement of savings was fully funded by the additional Covid-19 funding provided by the Scottish Government.</p> <p>The 2021/22 budget does not include an element of unidentified savings to address the funding gap.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Revised date: Complete</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 5. Medium to long term financial plan</p>	<p>The IJB's medium to long term financial plan should be reviewed due to the impact of Covid-19 and EU withdrawal.</p>	<p>In Progress</p> <p>The medium to long term financial plan is being updated to consider the financial implications of Covid-19 and EU withdrawal. The £300 million funding announcement from the Scottish Government in October 2021 and the legacy costs of Covid-19 will be built into the plan.</p> <p>Responsible officer: IJB Chief Financial Officer</p> <p>Revised date: 31 December 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>1. Management override of controls</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>Assurance from partner body auditors on the accuracy and completeness of year-end financial reports.</p> <p>Check 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>Results: We obtained relevant assurances from the auditors of North Lanarkshire Council and NHS Lanarkshire. We undertook detailed testing of year-end adjustments.</p> <p>Conclusion: We did not identify any incidents of management override of controls.</p>
<p>2. Accounting for children, families and justice social work services</p> <p>The budget disaggregation exercise to reflect the transfer of discretionary services back to the council is now complete. A further £15.6 million has been transferred out of the IJB budget in 2020/21 (total: £36.6 million). The service level agreement between NLC and NLIJB has been set out in principle but the detail is still being developed.</p>	<p>Assurance from the North Lanarkshire Council auditor on the classification of expenditure relating to these services.</p> <p>Income and expenditure in the annual accounts will be verified to the information provided by North Lanarkshire Council at the year-end.</p> <p>Review of compliance with the service level agreement between NLC and NLIJB.</p>	<p>Results: We obtained assurances from the auditor of North Lanarkshire Council on the classification of disaggregated budgets.</p> <p>The service level agreement between NLC and the North Lanarkshire IJB has not yet been agreed.</p> <p>Conclusion: No issues were identified in relation to the classification of disaggregated budgets.</p> <p>The service level agreement should be finalised to ensure the management of cross-</p>

Audit risk	Assurance procedure	Results and conclusions
There is a risk that the IJB financial monitoring reports and accounts do not accurately reflect delegated services in 2020/21.		cutting services is agreed by both bodies. See prior year Recommendation 1 in Appendix 1.

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

Audit risk	Assurance procedure	Results and conclusions
<p>3. Financial management: impact of Covid-19</p> <p>The 2020/21 budget included £3.5 million unidentified savings and since then the IJB has incurred additional expenditure due to Covid-19. The latest financial monitoring report indicates that not all savings will be achieved in year.</p> <p>The extent of additional funding that will be made available to compensate for Covid-19 costs, including undelivered savings, is still unclear. The IJB has forecast a budget overspend of £1.1 million but this assumes all Covid-19 related expenditure incurred by the health partner will be funded.</p>	<p>Review the budget setting process for 2021/22.</p> <p>Review of financial monitoring reports.</p> <p>Establish the funding and cost impacts of Covid-19 on the 2020/21 outturn.</p>	<p>Results: The IJB did not achieve all savings identified in the 2020/21 budget. Only 44 per cent of social care savings were achieved. The savings gap, and the additional costs incurred by both partners, was funded by the Covid-19 funding from the Scottish Government.</p> <p>The 2021/22 budget identified a £2.5 million funding gap but there is no element of unidentified savings.</p> <p>Conclusion: Covid-19 related expenditure in 2020/21 was fully funded. Due to an additional allocation made towards the end of the financial year, the IJB reported a surplus of £36.7 million.</p>
<p>4. Financial management: reporting</p> <p>Our previous annual audit reports have identified required improvements to financial reporting. This includes the timing of the first report and availability of forecast outturn for health care services. There is a risk that financial pressures are not identified and resolved.</p>	<p>Review financial monitoring reports in year and report progress against 2019/20 audit recommendation.</p>	<p>Results: Consistent with 2019/20, the first financial monitoring report was not presented to committee until five months into the financial year.</p> <p>Forecast year-end outturns were not presented for either partner until the Performance, Finance and Audit Committee in February 2021.</p>

Audit risk	Assurance procedure	Results and conclusions
		<p>The unpredictability of the financial support being provided to the IJB meant that the forecasting of outturn was difficult.</p> <p>Conclusion: Uncertainty around Covid-19 costs and funding made year-end forecasting difficult.</p> <p>See prior year Recommendation 2 in Appendix 1.</p>
<p>5. Financial sustainability</p> <p>The IJB has a medium to long term financial plan that spans the period 2020/21 to 2029/30 but this will need to be updated to reflect the impact of Covid-19 and EU withdrawal. There is a risk that the financial planning assumptions and savings plans relating to the medium to long term financial plan are inaccurate or undeliverable.</p>	<p>Review the updated medium-term financial plan, including savings plans and report progress against 2019/20 audit recommendation.</p>	<p>Results: the medium to long term financial plan has not yet been updated to reflect the impact of Covid-19. Significant uncertainty exists around future funding allocations from the Scottish Government and the funding of additional costs incurred as a result of the pandemic.</p> <p>The annual financial planning process has been prioritised, with updates taken to committee where funding allocations will result in changes to the medium to long term financial position of the IJB (for example, the £300 million national allocation announced in October 2021).</p> <p>Conclusion: the medium to long term financial plan should be updated to reflect the impact of the pandemic and future planning assumptions.</p>

Appendix 3

Summary of national performance reports 2020/21

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](#)

North Lanarkshire Integration Joint Board

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN

Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk

www.audit-scotland.gov.uk