



Fife Integration Joint Board

**2023/24 Annual Audit Report to Members
of the Fife Integration Joint Board and the
Controller of Audit**

September 2024



Table of Contents


Key messages	3
Introduction	9
Financial statements audit	11
Wider scope of public audit	23
Appendices	45


Key messages

Financial statements audit

Audit opinion	We report unqualified opinions within our independent auditor's report.
Key audit findings	<p>The IJB had appropriate administrative processes in place to prepare the annual accounts and the supporting working papers.</p> <p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>The accounting policies used to prepare the financial statements are considered appropriate. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements. All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p>
Audit adjustments	<p>We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.</p> <p>We identified some disclosure and presentational adjustments during our audit. These have been reflected in the final set of financial statements and are noted at Appendix 2.</p>
Accounting systems and internal controls	<p>We applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the IJB's processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report.</p> <p>We identified no significant weaknesses in accounting and internal control systems during our audit.</p>

Wider scope audit

<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Auditor judgement</p> <p>Risks exist to achievement of operational objectives</p> 
	<p>The IJB was faced with an uncertain and challenging financial position alongside an increase in demand for services throughout 2023/24.</p> <p>The IJB reported a deficit position in 2023/24 of £5.578million after utilisation of £12.173million of its reserves balances to reduce the core overspend position of £17.751million.</p> <p>The remaining overspend of £5.578million was funded through additional allocations from both partner bodies in the form of a risk share agreement, as outlined in the Integration Scheme. Utilising the risk share agreement presented further financial challenge to both partner bodies.</p> <p>Due to the significance of the year end outturn movement, the Finance, Performance and Scrutiny Committee requested that a lesson learned exercise be undertaken in order to address the key areas contributing to the increase in forecast overspend. A report outlining the scope and findings from the lessons learned exercise was presented to the Finance, Performance and Scrutiny Committee in July 2024.</p> <p>We have reviewed the lessons learned report and provided recommendations to management as part of the financial management section of this report.</p>

<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.</p>	<p>Auditor judgement</p> <p>Significant unmitigated risks affect achievement of corporate objectives</p> 
	<p>The IJB has forecast a cumulative budget gap of £48.459million over the period 2024/25 to 2026/27 before actions to address. This budget gap has given rise to a challenging savings target of £39.033million in 2024/25, rising to £52.267million in 2026/27.</p>
	<p>The Finance Update report presented to the IJB in July 2024 highlighted a forecast under delivery of the 2024/25 savings target and a potential requirement to identify at least £6million of further savings as part of the recovery plan being presented to the IJB in September 2024. £10million of reserves was required to be utilised to meet the under delivery of savings targets in 2023/24 and the IJB now has no reserves that can be utilised in similar circumstances.</p> <p>The IJB has recognised that the medium term financial plan presents a very challenging three years and emphasises the need to focus on medium term transformational change to allow delivery of services in the most effective way whilst balancing the budget. The IJB has a good focus on transformation but the lack of reserves puts additional pressure on the resources required to progress with transformation plans.</p> <p>The IJB has recognised that the level of challenge associated with the financial plan is substantial and that this also reflects the challenging financial environments in which both NHS Fife and Fife Council are currently operating. On this basis, the financial sustainability of the IJB remains a significant risk for 2024/25 and beyond and it is crucial that a partnership and integrated approach is taken to manage the level of financial risk and challenge going forward.</p>

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the IJB continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

Our assessment has been informed by a review of the corporate governance arrangements in place and the information provided to the Board and Committees.

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Strategic Plan for Fife 2023-26, and delivery plans are progressing at a sufficient pace.

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Risks exist to achievement of operational objectives



Whilst an established and appropriate performance management framework is in place at the IJB, the pandemic exacerbated what were already tough core service delivery challenges.

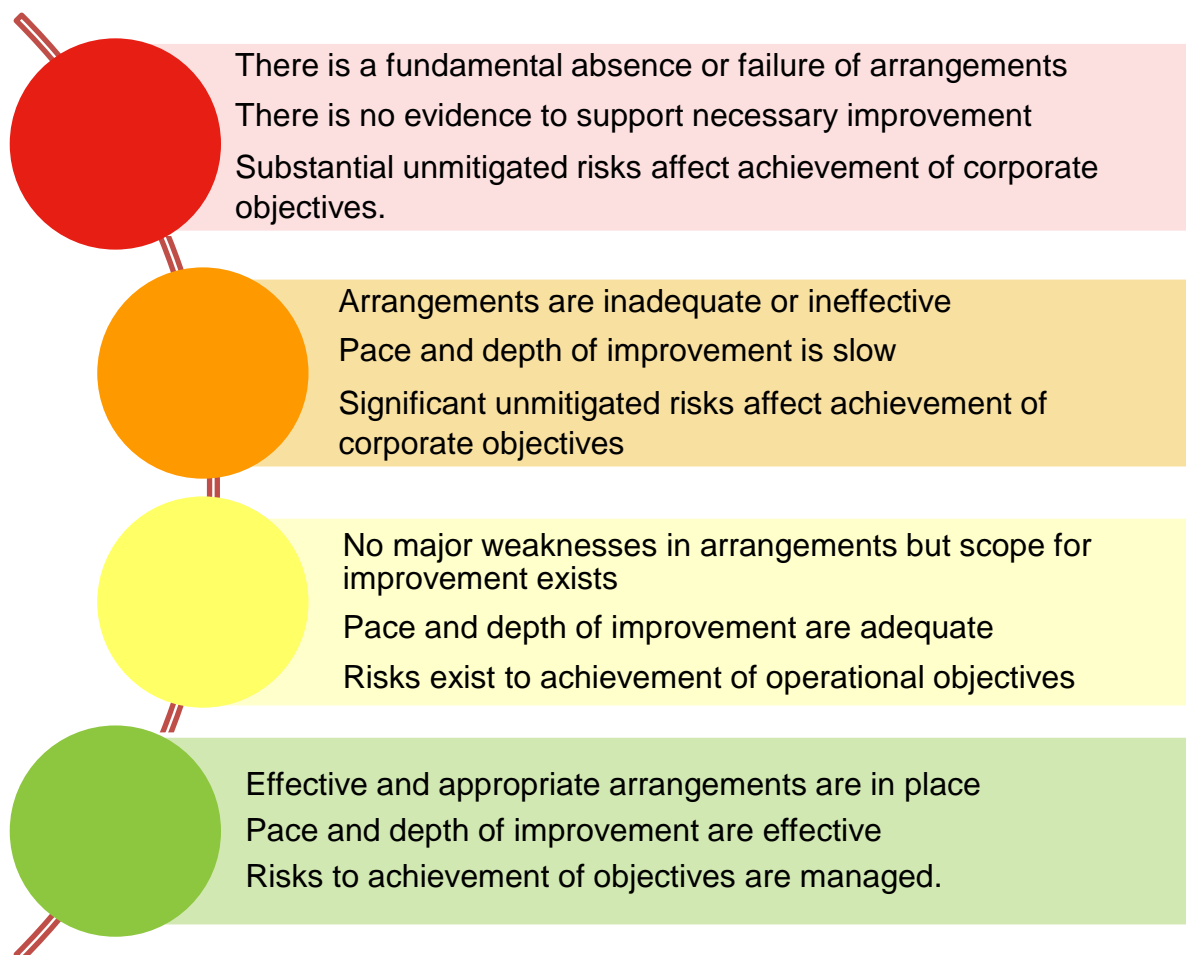
As described in the Financial Sustainability section, there is a risk that the scale of savings required to enable the IJB to achieve a financially sustainable position may impact on its ability to deliver services to a high quality. This also presents a risk of deterioration in the IJB's performance.

Good progress is being made across actions identified under all five workforce pillars within the year 2 workforce action plan.

The IJB is looking ahead towards preparations for the development of workforce plans for 2025-2028. Due to the positive uptake and engagement with the current workforce strategy, the IJB is expecting that the next iteration of the workforce plans will continue to use the 5 Pillars (Plan, Attract, Train, Employ, Nurture) as a framework but with an added focus on consideration of internal and external environments and informing national developments.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

The annual external audit comprises the audit of the financial statements and other reports within the annual report and accounts, and the wider-scope audit responsibilities set out in Audit Scotland's Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Assurance Committee at the outset of our audit.

Responsibilities

The IJB is responsible for preparing its annual accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team or to Audit Scotland.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Financial statements audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	<p>The annual accounts were presented to the Audit and Assurance Committee on 13 September 2024 and approved by the Board on 27 September 2024.</p> <p>We issue unqualified opinions in our independent auditor's report.</p> <p>There are no matters which would require modification of our audit report.</p>
Going concern basis of accounting	<p>When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the IJB's functions.</p> <p>Our wider scope audit work considers the financial sustainability of the IJB.</p>	<p>We reviewed the financial forecasts for 2024/25. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the IJB will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.</p>
Opinions prescribed by the Accounts Commission:	<p>We plan and perform audit procedures to gain assurance that the management commentary, annual governance statement and the audited</p>	<p>The management commentary contains no material misstatements or inconsistencies with the financial statements</p>

Opinion	Basis for opinion	Conclusions
<ul style="list-style-type: none"> • Management Commentary • Annual Governance Statement • The audited part of the Remuneration Report 	<p>part of the remuneration report are prepared in accordance with:</p> <ul style="list-style-type: none"> • statutory guidance issued under the Local Government in Scotland Act 2003 (management commentary); • the Delivering Good Governance in Local Government: Framework (Annual Governance Statement); and • The Local Authority Accounts (Scotland) Regulations 2014 (remuneration report) 	<p>We have concluded that:</p> <ul style="list-style-type: none"> • the information given in the management commentary is consistent with the financial statements and has been properly prepared. • the information given in the annual governance statement is consistent with the financial statements and our understanding of the organisation gained through the audit. • the audited part of the Remuneration Report has been properly prepared.
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept; or • the financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit. 	<p>We have no matters to report.</p>

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Assurance Committee in March 2024. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. This includes:

- An evaluation of the IJB’s internal control environment, including the IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including procedures outlined in this report in relation to our key audit risks.

Quality indicators

- We have applied a suite of quality indicators to assess the reliability of the financial reporting and response to the audit.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
Quality and timeliness of draft financial statements	Mature	We received the unaudited financial statements of a good standard in line with our audit timetable. Revisions were provided promptly where required.
Quality of working papers provided and adherence to timetable	Mature	We received working papers of a good standard in line with our audit timetable. Further information was provided promptly where required.
Timing and quality of key accounting judgements	Mature	We did not identify any issues with the timing and quality of key accounting judgements.

Metric	Grading (Mature / developing / significant improvement required)	Commentary
Access to finance team and other key personnel	Mature	We received full access to the finance team and other key personnel. All audit queries and requests were responded to in a timely manner.
<p>Quality and timeliness of the</p> <ul style="list-style-type: none"> • audited part of the Remuneration Report • Management Commentary • Annual Governance Statement <p>As well as the quality and timeliness of supporting working papers for those statements.</p>	Mature	We did not identify any issues with quality and timeliness of the audited part of the Remuneration and Report, Management Commentary and Annual Governance Statement.
Volume and magnitude of identified errors	Mature	We identified no audit adjustments or unadjusted misstatements. This is in line with the position from the previous year and is in line with our expectations.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the Planning Guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the annual accounts is not modified with respect to any of the risks described below.

The table below summarises the significant risk. Detail behind each risk and the work undertaken is set out on the following pages.

Risk area	Fraud risk	Planned approach to controls	Level of judgement / estimation uncertainty	Outcome of work
Management override of controls	Yes	Assess design & implementation	Low	No adjustment
Fraud in revenue recognition	Yes	Assess design & implementation	Low	No adjustment
Fraud in non-pay expenditure recognition	Yes	Assess design & implementation	Low	No adjustment

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
<p>Significant risk description</p>	<p>Management of any entity is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk will vary from entity to entity, this risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement: Very High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>Procedures performed to mitigate risks of material misstatement in this area included:</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Agreed balances and transactions to Fife Council and NHS Fife financial reports/ledger/correspondence. • Received assurances from constituent body auditors in relation to financial information provided, controls in place and results of testing at constituent bodies. • Reviewed financial monitoring reports during the year. • Reviewed the consolidation adjustments made to arrive at figures in IJB accounts. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<p>Key observations</p>	<p>We did not identify any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.</p>

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
<p>Significant risk description</p>	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements).</p> <p>The presumption is that the IJB could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Income recognised in the IJB's accounts are contributions received from the IJB's funding partners. Given the nature of this income we have rebutted this risk.</p>

Key risk area	Fraud in non-pay expenditure
<p>Significant risk description</p>	<p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of expenditure around the year end leading to a material misstatement in the reported financial position.</p> <p>As the IJB commissions services from the constituent bodies, the IJB does not exercise operational control of the staff and assets to deliver the services itself. The cost of commissioning the services is the expenditure recognised by the IJB rather than the expenditure incurred in delivering the services.</p> <p>Given the nature of expenditure reported in the IJB's annual accounts we have therefore rebutted this risk.</p>

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile the IJB and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the IJB and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the IJB financial statements was £13million. On receipt of the 2023/24 unaudited financial statements, we reassessed materiality and updated it to £15million. We consider that our updated assessment has remained appropriate throughout our audit.

	Materiality £million
Overall materiality for the financial statements	15.000
Performance materiality (75% of materiality)	11.250
Trivial threshold	0.750

Materiality

Our assessment is made with reference to the IJB’s cost of delegated services. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance.

Our assessment of materiality equates to approximately 2% of the IJB’s cost of delegated services as disclosed in the 2023/24 unaudited annual accounts.

In performing our audit, we apply a lower level of materiality to the audit of the Remuneration & Staff Report and Related Parties disclosures.

For the Remuneration Report we consider any errors which cause result in a movement between the relevant bandings on the disclosure table to be material.

For Related Party transactions, in line with the standards we consider the significance of the transaction with regard to both the IJB and the Counter party, the smaller of which drives materiality considerations on a transaction by transaction basis.

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.

Trivial misstatements

Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Audit differences

We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.

We identified disclosure and presentational adjustments during our audit which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these at Appendix 3. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Follow up of prior year recommendations

We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 4.

Other communications

Other areas of focus

Area of focus	Audit findings and conclusion
<p>Significant matters on which there was disagreement with management</p>	<p>There were no significant matters on which there was disagreement with management.</p>
<p>Significant management judgements which required additional audit work and / or where there was disagreement over the judgement and / or where the judgement is significant enough that we are required to report it to</p>	<p>There were no significant management judgements which required additional audit work, where there was disagreement over the judgement or where the judgement is significant enough that requires reporting.</p>

Area of focus	Audit findings and conclusion
<p>those charged with governance before they consider their approval of the accounts</p>	
<p>Prior year adjustments identified</p>	<p>There were no prior year adjustments.</p>
<p>Concerns identified in the following:</p> <ul style="list-style-type: none"> • Consultation by management with other accountants on accounting or auditing matters • Matters significant to the oversight of the financial reporting process • Adjustments / transactions identified as having been made to meet an agreed system position / target 	<p>No concerns were identified in relation to these areas.</p>

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the IJB.

The accounting policies, which are disclosed in the financial statements, are in line with the Code and are considered appropriate.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Key judgements and estimates

As part of the planning stages of the audit we sought all accounting estimates made by management and determined which of those are key to the overall financial statements. Management did not identify any accounting estimates. We considered this appropriate to the annual accounts.

In addition, we are satisfied with the appropriateness of the accounting judgements used in the preparation of the financial statements.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Audit and Assurance Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the IJB. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations


We presented the final letter of representation to the Chief Finance Officer to sign at the same time as the financial statements were approved.

Related parties

We are not aware of any related party transactions which have not been disclosed.

Wider scope of public audit

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector. The wider-scope audit specified by the Code of Audit Practice broadens the audit of the accounts to include consideration of additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.	Auditor judgement Risks exist to achievement of operational objectives	
	<p>The IJB was faced with an uncertain and challenging financial position alongside an increase in demand for services throughout 2023/24.</p> <p>The IJB reported a deficit position in 2023/24 of £5.578million after utilisation of £12.173million of its reserves balances to reduce the core overspend position of £17.751million.</p> <p>The remaining overspend of £5.578million was funded through additional allocations from both partner bodies in the form of a risk share agreement, as outlined in the Integration Scheme. Utilising the risk share agreement presented further financial challenge to both partner bodies.</p> <p>Due to the significance of the year end outturn movement, the Finance, Performance and Scrutiny Committee requested that a lesson learned exercise be undertaken in order to address the key areas contributing to the increase in forecast overspend. A report outlining the scope and findings from the lessons learned exercise was presented to the Finance, Performance and Scrutiny Committee in July 2024.</p> <p>We have reviewed the lessons learned report and provided recommendations to management as part of the financial management section of this report.</p>	

Financial sustainability

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

Auditor judgement

Significant unmitigated risks affect achievement of corporate objectives



The IJB has forecast a cumulative budget gap of £48.459million over the period 2024/25 to 2026/27 before actions to address. This budget gap has given rise to a challenging savings target of £39.033million in 2024/25, rising to £52.267million in 2026/27.

The Finance Update report presented to the IJB in July 2024 highlighted a forecast under delivery of the 2024/25 savings target and a potential requirement to identify at least £6million of further savings as part of the recovery plan being presented to the IJB in September 2024. £10million of reserves was required to be utilised to meet the under delivery of savings targets in 2023/24 and the IJB now has no reserves that can be utilised in similar circumstances.

The IJB has recognised that the medium term financial plan presents a very challenging three years and emphasises the need to focus on medium term transformational change to allow delivery of services in the most effective way whilst balancing the budget. The IJB has a good focus on transformation but the lack of reserves puts additional pressure on the resources required to progress with transformation plans.

The IJB has recognised that the level of challenge associated with the financial plan is substantial and that this also reflects the challenging financial environments in which both NHS Fife and Fife Council are currently operating. On this basis, the financial sustainability of the IJB remains a significant risk for 2024/25 and beyond and it is crucial that a partnership and integrated approach is taken to manage the level of financial risk and challenge going forward.

Vision, Leadership and Governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Auditor judgement

Effective and appropriate arrangements are in place



Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the IJB continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.

Our assessment has been informed by a review of the corporate governance arrangements in place and the information provided to the Board and Committees.

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Strategic Plan for Fife 2023-26, and delivery plans are progressing at a sufficient pace.

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Risks exist to achievement of operational objectives



Whilst an established and appropriate performance management framework is in place at the IJB, the pandemic exacerbated what were already tough core service delivery challenges.

As described in the Financial Sustainability section, there is a risk that the scale of savings required to enable the IJB to achieve a financially sustainable position may impact on its ability to deliver services to a high quality. This also presents a risk of deterioration in the IJB's performance.

Good progress is being made across actions identified under all five workforce pillars within the year 2 workforce action plan.

The IJB is looking ahead towards preparations for the development of workforce plans for 2025-2028. Due to the positive uptake and engagement with the current workforce strategy, the IJB is expecting that the next iteration of the workforce plans will continue to use the 5 Pillars (Plan, Attract, Train, Employ, Nurture) as a framework but with an added focus on consideration of internal and external environments and informing national developments.

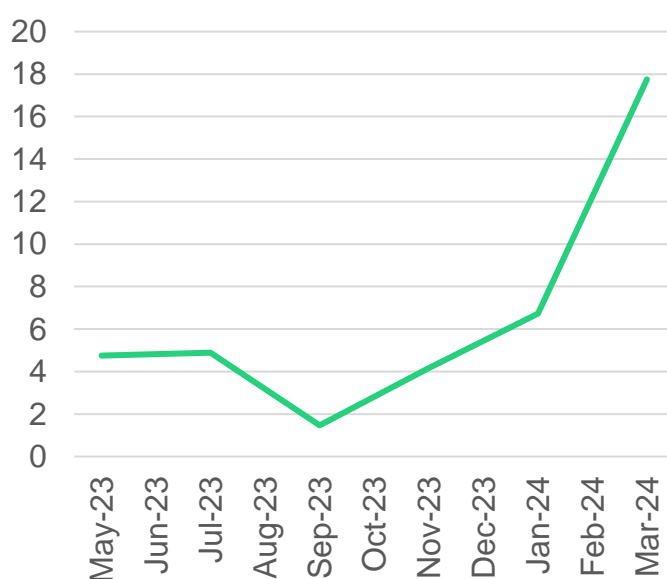
Financial management

Financial performance 2023/24

Throughout 2023/24 the IJB was faced with an uncertain and challenging financial position alongside an increase in demand for services.

Deficit positions were forecast in each Finance Update report presented to the IJB in 2023/24, as detailed in exhibit 1.

Exhibit 1: Forecast Deficit position (£'m)



Source: Finance Update reports and analysis

As can be seen, the most significant movement was from January to March 2024, representing an increase in the forecast deficit position of £11.026million. The IJB has identified that the main reasons for the movement are:

- Additional Social Care packages commissioned - £4million
- Year-end accounting entries - £1.3million
- Additional costs of patients in delay - £1.3million
- Additional costs in mental health and GP prescribing - £1million
- Lack of management information on which to project - £2.9million

The outturn position as at 31 March 2024 for the services delegated to the IJB was as follows:

	Budget £000	Actual £000	Variance £000
Delegated and Managed Services	699,692	705,270	5,578
Set Aside Acute Services	50,920	50,920	-

This position was achieved after utilisation of £12.173million of IJB reserves balances to reduce the core overspend position of £17.751million to £5.578million.

The remaining overspend of £5.578million was funded through additional allocations from both partner bodies in the form of a risk share agreement, as outlined in the Integration Scheme. Utilising the risk share agreement presented further financial challenge to partner bodies as NHS Fife was required to request further brokerage from Scottish Government and Fife Council had to utilise reserves to ensure financial balance.

Reserves position

The 2023/24 opening reserves position was £37.719million, consisting of £16.225million earmarked, £14.065million committed and £7.429million available reserves. As part of setting the 2023/24 financial plan, committed reserves of £10million were also agreed to be utilised as part of the 2023/24 budget to cushion the savings required in year.

After allocation of reserves for 2023/24 commitments, the closing reserves balance at March 2024 was forecast to be £16.004million. In-year permission was sought from Scottish Government to re-purpose a number of earmarked reserves for use in other areas, including £12.173million to fund the IJB's final overspend position. In addition, the year end balance of Flu Vaccine, Covid Vaccine funding (£0.900million) was carried forward for use in 2024/25 increasing the IJB's closing reserves balance to £4.371million. These amounts cannot be utilised as there are current policies in place with Scottish Government to utilise the funding or commitments have already been made against the balances.

The utilisation of reserves described above resulted in the IJB holding an actual closing reserves balance at 31 March 2024 of £4.731million. This is below the IJB's minimum policy to hold 2% of budget in reserves and of this balance none is available for general use.

Savings plan

In March 2023, the Board approved a balanced budget for 2023/24 through planned delivery of a savings target of £21.437million.

The IJB delivered £11.437million (53%) of the 2023/24 savings target. This represents a decrease compared to the prior year where the IJB delivered 66% of its savings target. As detailed above, £10million of reserves were earmarked and allocated for delays in delivering cashable savings which compensated for the 2023/24 shortfall in the achievement of savings.

This failure to deliver savings targets places substantial additional pressure on the future financial position of the IJB and therefore requires careful management.

The table below shows performance against the approved savings plan. The main areas that were not achieved relate to Digital Sensor Technology- transform overnight care, Community Rehabilitation and Care and Home First Commissioning Transformation.

Exhibit 2: 2023/24 savings plan

Savings Proposal	Target £m	Actual £m	(Under)/over achieved £m
Digital Sensor Technology- transform overnight care	3.000	0.000	(3.000)
Community Rehabilitation and Care	1.000	0.000	(1.000)
Home First Commissioning Transformation	1.000	0.000	(1.000)
Securing a sustainable Medical Workforce and reducing locum spend	0.500	0.000	(0.500)
Modernising Administration Services	0.500	0.500	0.000
Integrated Management Teams	0.500	0.000	(0.500)
Medicines Efficiencies programme 2023-25	3.650	2.650	(1.000)
Nurse Supplementary Staffing	2.000	1.000	(1.000)
Transforming Centralised Scheduling	0.087	0.087	0.000

Savings Proposal	Target £m	Actual £m	(Under)/over achieved £m
Implementation of Payment Cards	1.000	1.000	0.000
Community Redesign	1.000	1.000	0.000
Day Service Redesign (older people)	0.500	0.500	0.000
Use of Underspends	5.000	3.000	(2.000)
Supported Living Rents Income Maximisation	1.000	1.000	0.000
Integrated Workforce- Community Treatment and Care Services (CTAC) and Community Immunisation Services (CIS)	0.400	0.400	0.000
Maximising Core Budget (Alcohol and Drugs)	0.300	0.300	0.000
Total	21.437	11.437	(10.000)

Source: Finance Report Provision Outturn as at March 2024- June 2024

Lessons Learned Exercise

Due to the significance of the year end outturn movement, the Finance, Performance and Scrutiny Committee requested that a lesson learned exercise be undertaken in order to address the key areas contributing to the increase in forecast overspend. A report outlining the scope and findings from the lessons learned exercise was presented to the Finance, Performance and Scrutiny Committee in July 2024. An action plan was developed based on the lessons learned exercise and it was agreed at the Board development session in September 2024 that this will be monitored through regular updates to the Audit and Assurance Committee.

We have reviewed the report from the lessons learned review into the movements in financial projections in the final quarter of 2023/24 as part of our wider scope audit work on financial management.

We have fed back our comments on the report to the IJB Chief Finance Officer and can confirm that there is nothing in the report which is inconsistent with our knowledge gained from our audits of the IJB or either of the other partner bodies.

The proposed corrective actions seem reasonable and appropriate, and we are satisfied that a root cause analysis of the main issues leading to the overspends in each partner body has been carried out. We have not audited the content of the root cause analysis but have seen evidence that it has been appropriately undertaken.

The report meets our expectations of a lessons learned review subject to the following point:

- We suggest, in review of the tight financial position, that the Audit and Assurance Committee consider requesting Internal Audit to provide independent assurance on the effectiveness of controls identified as part of agreed corrective actions.

Recommendation 1

Prevention and detection of fraud and irregularity

The IJB does not directly employ staff and so places reliance on the arrangements in place within Fife Council and NHS Fife for the prevention and detection of fraud and irregularities. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by the partner bodies. Overall, we found arrangements to be sufficient and appropriate.

Financial sustainability

Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability – extract from audit plan

The IJB's latest medium term financial plan was approved in March 2023. The plan shows a cumulative budget gap of £34.704million over the period 2023/24 to 2025/26 to be mitigated by a challenging savings target of £21.437million in 2023/24, rising to £34.900million in 2025/26.

Reserves of £10million were also agreed to be utilised as part of the 2023/24 budget to cushion the savings required in year. The remaining reserves balance available for use by the IJB totals £10.770million, of which £2.149million is committed, which presents a risk that this balance is too low to adequately mitigate medium to longer term financial challenges. The IJB has acknowledged that the use of reserves is not a sustainable solution, as it only provides short-term one-off funding, and that transformational change is required to ensure long term sustainability.

Work is currently ongoing to review planning assumptions to reflect the current financial environment in which the IJB operates, as part of development of the 2024/25 budget and revised medium term financial plan. The 2024/25 budget is expected to reflect key financial pressures facing the IJB including receipt of a flat cash settlement from NHS Fife and a partly funded pay award from Fife Council. The 2024/25 budget is due to be approved by the IJB in March 2024.

In an environment of heightened financial pressures, increasing demand and the growing need to redesign services, robust and timely financial planning is essential in supporting the sustainability of the IJB in the medium to longer term.

Our detailed findings on the IJB's arrangements for achieving long term financial sustainability are set out below.

2024/25 Financial Plan

The 2024/25 financial plan was presented to the IJB in March 2024 for scrutiny and approval. The financial plan shows a forecast funding gap of £39.066million.

Delegated budgets from partners total £674.525million for 2024/25 (2023/24: £649.041 million). This includes an uplift of £2.1million from Fife Council to contribute to funding the pay award.

In December 2023, the Scottish Government committed to provide additional funding to integrated authorities of £241.5million which consists of the following:

- To deliver a £12 per hour minimum pay settlement to adult social care workers in private and third sectors (£230million)
- An inflationary uplift on free personal nursing care payments (£11.5million)

Fife IJB's share of this funding is £17.003million which has been incorporated into the 2024/25 budget.

Set against this, the projected cost of delegated services for 2024/25 is £713.591million, with the most significant increases arising from:

- Pay inflation (£5.438million)
- Pharmacy Inflation (£2.347million)
- External providers: living wage and funding requirements (£16.350million).

The IJB continues to monitor financial pressures and risks in the delivery of the financial plan on an ongoing basis through the IJB's Financial Risk Register and finance update reports presented and scrutinised at each Board meeting.

Savings plan

Delivery of savings is a fundamental component of achieving a surplus financial position. For 2024/25, identified savings of £39.033million were approved by the IJB to bridge the identified 2024/25 gap.

As detailed in the financial management section, the IJB did not meet its savings target in 2022/23 or 2023/24 and in 2023/24 only 53% of the savings target was achieved by services with £10million of reserves being used to cushion the unachieved savings in year.

For 2024/25, the savings target has increased by £17.6million compared to 2023/24, where full achievement of this challenging target would still leave a small funding gap of £0.033million. This savings target represents a level significantly higher than in previous years where the IJB has faced challenges delivering savings targets in full. It is important that the IJB closely monitors the delivery of savings identified to ensure that achievement of savings does not impact on its quality of service delivery.

The Finance Update report presented to the IJB in July 2024 highlighted that only 53% of 2024/25 savings targets were on track to be delivered or had already been delivered.

In addition, a forecast overspend position of £24.353million was highlighted within the July 2024 finance update. In line with the Integration Scheme, the process for resolving budget overspend positions within the year is to agree a recovery plan to balance to total budget. This position therefore triggered the requirement for the IJB to produce a recovery plan which is due to be presented to the September 2024 IJB

meeting. Early indications suggest that the recovery plan will include the requirement for the IJB to identify further savings opportunities, with this totalling a further £6million at the time of writing.

As detailed above, in 2023/24 the IJB utilised £10million of reserves to meet the under delivery of savings targets. The main purpose of holding a reserve is to create a contingency to cushion the impact of unexpected events or emergencies and the IJB now has no reserves that can be utilised in similar circumstances. This increases the risk to the IJB's future financial sustainability where an under delivery of the 2024/25 savings target is already being forecast.

Medium Term Planning

The IJB approved its medium term financial plan (2024/25 to 2026/27) alongside the Medium Term Financial Strategy 2024-2027 (MTFS) in March 2024. The updated MTFS is aligned to the 2023-2026 Strategic Plan, supporting strategies, the workforce strategy and refreshed participation and engagement strategy. Key risks and uncertainties set out in the plan include:

- The economic crisis- the cost of inflation, energy and pay costs;
- The ageing population leading to increased demand and increased complexity of demand for services alongside reducing resources;
- Continuing difficulties in recruitment leading to the use of higher cost locums and agency staff;
- The Transformation Programme does not meet the desired timescales or achieve the associated benefits;
- Workforce sustainability both internally in health and social care and within external care partners and;
- Variability- projected financial impact could arise from the impact of both local and national decisions or unexpected change in demand.

The financial plan shows a cumulative budget gap of £48.459million over the period 2024/25 to 2026/27 set alongside a challenging savings target of £39.033million in 2024/25, rising to £52.267million in 2026/27.

	2024/25 £million	2025/26 £million	2026/27 £million
Cost of continuing	679.591	706.713	734.156
Pressures	34.000	34.000	34.000
Funding available	674.525	697.048	719.697
Total gap	39.066	43.665	48.459

Source: Fife Integration Joint Board Annual Accounts 2023/24

The IJB has recognised that the medium term financial plan presents a very challenging three years and emphasises the need to focus on medium term transformational change to allow delivery of services in the most effective way whilst balancing the budget.

A significant amount of work has been undertaken through the transformational change programme which spans the entirety of the health and social care partnership. The programme requires a focus on what services are delivered, how they are delivered, and where they are delivered from. During 2023/24 and 2024/25 to date, there has been significant investment to create a transformation team which has progressed a series of programmes and projects. These projects will measure improvements in both outcomes and quality of services and track financial benefits such as cost avoidance through prevention and early intervention, efficiency savings and cashable savings from transforming services.

However, the IJB has acknowledged that given the projected lack of reserves, there is a risk that they will not have sufficient resource to progress with transformation plans, impacting on the IJB’s financial sustainability. The IJB has committed to carefully monitor this position throughout 2024/25.

The IJB has recognised that the level of challenge associated with the financial plan is substantial and that this also reflects the challenging financial environments which both NHS Fife and Fife Council are currently operating in. On this basis, the financial sustainability of the IJB remains a significant risk for 2024/25 and beyond and it is crucial that a partnership and integrated approach is taken to manage the level of financial risk and challenge going forward.

National Care Service (Scotland)

The National Care Service (Scotland) Bill was introduced to Parliament on 20 June 2022. The initial Bill would allow Scottish Ministers to transfer responsibility for social care from local authorities and certain healthcare functions from the NHS to a new National Care Service. The Scottish Government has committed to establishing a functioning National Care Service by the end of the parliamentary term in 2026. The Bill makes provision for the Scottish Ministers to establish and fund new bodies, called “care boards”, to plan and deliver services locally. The relationship between the Scottish Ministers and the care boards is expected to work in a similar way to the current approach taken by IJBs and their partner bodies.

The Bill is currently at stage two of approval where Changes to Detail can be proposed by MSPs for consideration by a committee. The Committee's call for views closes in September 2024.

The Scottish Government provided an update on the Bill in July 2023. This highlighted potential amendments to the Bill due to an initial consensus proposal between the Scottish Government and Cosla. The proposal agreed was to form a partnership approach and overarching shared accountability system with Scottish Ministers, local authorities and NHS Boards. In addition, the update proposed that local authorities will retain functions, staff and assets. There has been no further updates on the Bill communicated to the IJB in 2023/24 and to date.

Due to recognition of the significant impact the Bill will have on the IJB once it has been passed in parliament, the IJB Chief Officers continue to have regular communication with the Scottish Government.

Vision, leadership and governance

Governance arrangements

The Board of the IJB comprises 16 voting members, nominated by either Fife Council or NHS Fife, as well as non-voting members including a Chief Officer appointed by the Board.

The Chief Officer in post for 2023/24, Nicky Connor, left the IJB in July 2024. The post has been filled in the interim period by Fiona McKay (previously Head of Strategic Performance, Planning & Commissioning) to ensure continuity in leadership. Lynne Garvey, the IJB's Head of Community Care Services, has been appointed as the new Chief Officer for the IJB and will take up post from November 2024.

The Board continued to hold bi-monthly development sessions during 2023/24. The sessions covered topics including:

- Leadership and Transformation
- Performance, governance and culture
- A Focus on Mental Health - Mental Health Strategy
- Role of the Independent Sector and 2024-25 Budget and Beyond

From review of the Board development sessions, we have concluded that it provides those charged with governance with the information and platform to continue to discharge its responsibilities effectively.

The Board is responsible for ensuring the overall governance of the IJB. In driving forward the strategic direction of the IJB and ensuring the governance framework is operating as intended, the Board continues to be supported by three committees:

- Audit and Assurance Committee;
- Quality and Communities Committee; and
- Finance, Performance and Scrutiny Committee.

In addition, the Senior Leadership Team (SLT) are continuing to work to establish a 'Team Fife' culture to support a vision of being amongst the best performing Health and Social Care Partnerships by 2025. This is known as Mission 2025.

During 2023/24, the IJB delivered two Systems Leadership Programmes for senior and middle managers to help roll out of the systems leadership ethos across the health and social care partnership. Two further programmes are planned for 2024 which have already gained significant interest throughout the partnership.

Board and Committee meetings

Committee meetings have continued to be held virtually rather than in person, to date, to comply with requirements for non-essential travel and physical distancing, and the preferred mechanism is through MS Teams, in line with the sector and the IJB's partner bodies. During 2023/24, Board meetings have continued to adopt a blended approach and development sessions have remained in-person.

Throughout 2023/24, the Board has been able to maintain all aspects of board governance, including its regular schedule of Board and Committee meetings.

Through our review of committee papers we are satisfied that there continues to be effective scrutiny, challenge and informed decision making through the financial period.

Strategic Plan for Fife 2023-2026

The IJB approved its Strategic Plan for Fife 2023-2026 in January 2023. The strategic plan was developed using a partnership approach and aligns to both Fife Council's 'Plan for Fife' and NHS Fife's 'Population Health and Wellbeing Strategy'.

The strategy recognises the challenges currently faced within health and social care including the impact that the COVID-19 pandemic has had on the demand for services, inequalities within the health population and the way in which the IJB has adapted the way it works internally and with partner organisations.

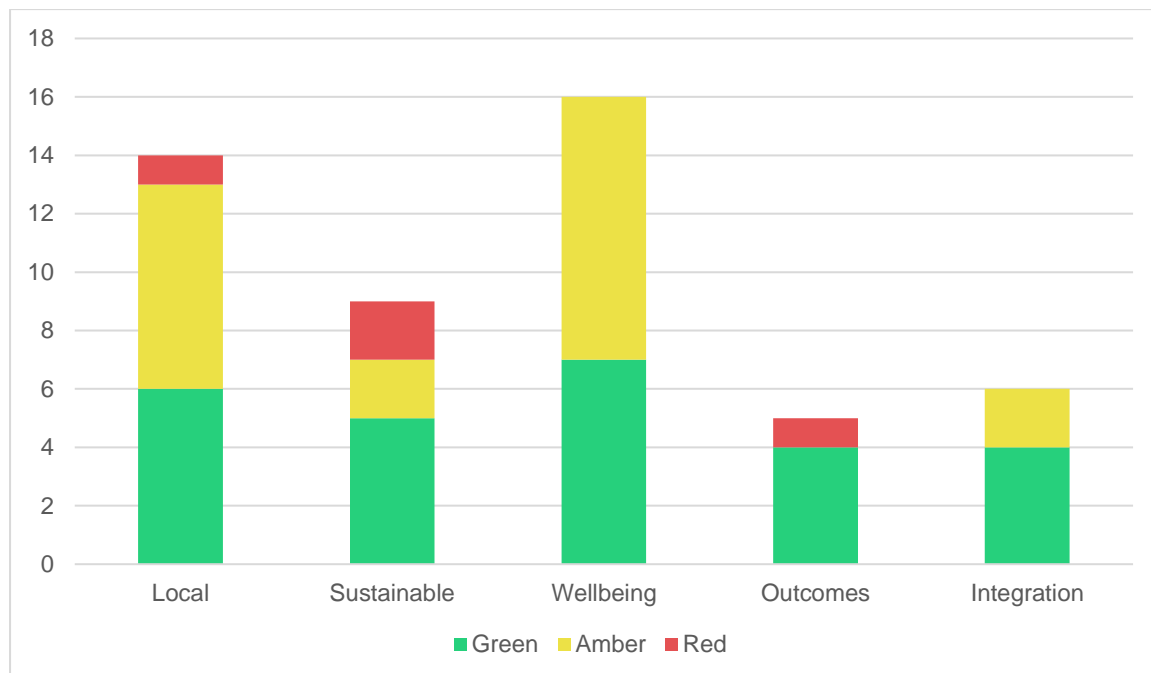
The strategy takes cognisance of the IJB's overarching vision, mission and values, and is structured under five strategic ambitions:

- Local - A Fife where we will enable people and communities to thrive;
- Integration - A Fife where we will strengthen collaboration and encourage continuous improvement;
- Outcomes - A Fife where we will promote dignity, equality and independence,
- Wellbeing - A Fife where we will support early intervention and prevention; and
- Sustainable - A Fife where we will ensure services are inclusive and viable.

The Strategic Plan 2023- 2026 is supported by annual delivery plans which set out the programme of work for each year and highlight the improvements that require to be made to further improve health and social care services in Fife. The Delivery Plan 2023 was approved by the IJB in March 2023 and consists of 50 separate actions.

The year one annual report was presented to the March 2024 IJB meeting alongside the year 2 delivery plan. The report highlighted that 52% of actions were completed during 2023/24 (green RAG status), 40% were partially completed (amber RAG status) and 8% were delayed (red RAG status). All red actions have either been carried forward into the 2024 delivery plan or have been updated and replaced with new relevant actions, for example, in response to national changes.

Exhibit 3: RAG Status of year one delivery plan grouped by strategic ambition



Source: Strategic Plan 2023-2026 Year One Report 2023 - March 2024

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Strategic Plan for Fife 2023-26, and delivery plans are progressing at a sufficient pace.

Internal audit

An effective internal audit service is an important element of the IJB’s overall governance arrangements. The IJB’s internal audit service is provided by FTF Internal Audit Service. During our audit we considered the work of internal audit wherever possible to inform our risk assessment and our work on the governance statement.

A draft internal audit report was presented to the Audit and Assurance Committee in June 2024 with a final report being presented in September 2024.

This report provided reasonable assurance and confirmed that “Reliance can be placed on the IJB’s governance arrangements and systems of internal controls for 2023/24 in the following areas:

- Corporate Governance
- Clinical and Care Governance
- Staff Governance
- Information Governance

The IJB did have financial governance controls in place but these were not effective in all areas. The Lessons Learned Financial Movement report highlighted areas where controls were not sufficient to mitigate risk, alongside existing controls and corrective action.

In my opinion, the corrective actions as described in the Lessons Learned Financial Movement report presented to the 3 July 2024 FPSC are appropriate and proportionate. Internal audit did not audit the Lessons Learned Financial Review as this is out with the scope of this annual report.”

In addition, internal audit has not advised management of any additional disclosure requirements for the governance statement or any inconsistencies between the governance statement and information they are aware of from its work.

Use of resources to improve outcomes

Performance Management Arrangements

Performance management framework

The IJB has developed a performance management framework which comprises key performance indicators (KPIs) including national, local and management targets which are reported to each second meeting of the Finance, Performance and Scrutiny Committee. Every other meeting of the Finance, Performance and Scrutiny Committee is used to deeper dive into areas of poor performance.

Performance reports are also presented to each meeting of the Board. These reports focus on more detailed considerations of the areas of performance that have been provided with a red RAG status as part of the full report presented to the Finance, Performance and Scrutiny Committee. In addition, in line with the requirements of the Public Bodies (Joint Working) Act 2004, the IJB prepares an annual public performance report that considers progress against both the National Health and Wellbeing Outcomes and the key priorities identified within its strategic plan.

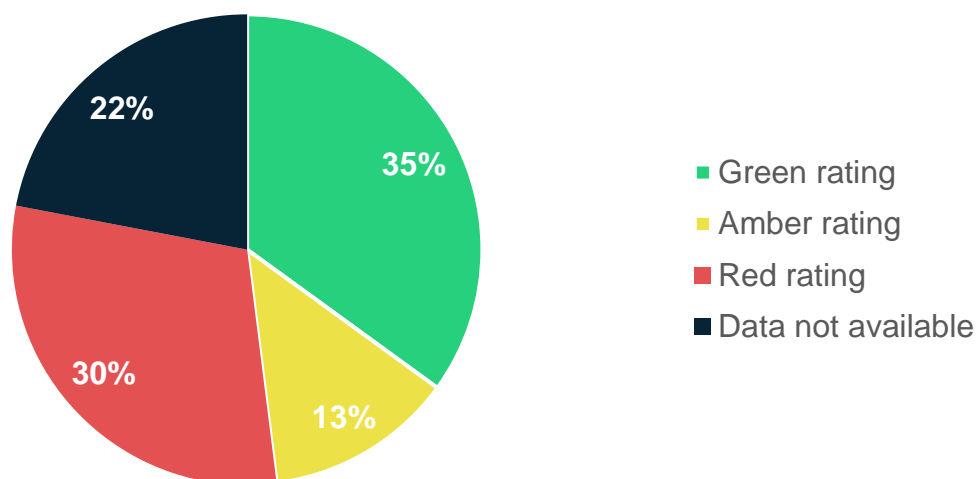
During 2023/24, a Planning and Performance Board was set up by the IJB. The Board comprises members of the Senior Leadership Team (SLT) and meets bi-monthly to examine and scrutinise the IJB's performance. Work is also ongoing to develop a new performance scorecard which will provide greater scope of coverage of the IJB's activity and allow users to further drill down to portfolio level indicators. This work is expected to be completed by the end of 2024 and the scorecards will be scrutinised at the meetings of the newly established Planning and Performance Board.

Through review of Board papers, we concluded that performance is given an appropriate level of scrutiny and challenge.

Performance in 2023/24

IJB's have been required by the Public Bodies (Joint Working) Act 2004 to report on the core suite of Integration Indicators within their Annual Performance Reports. The 2023/24 annual performance report compares the IJB's performance against the Scottish average in 23 core national indicators. As noted in exhibit 4, there was insufficient data available to conclude on performance for five indicators due to national data being unavailable or no nationally agreed definition for the indicators.

Exhibit 4: National Indicators – Fife’s performance for 2023 to 2024 compared to Scotland rate



Source: Annual Performance Report 2023-24- July 2024

As exhibit 4 demonstrates, performance continues to be mixed compared to the Scottish average. In line with prior year performance, the IJB continues to perform worse than the national average in 13 of the core indicators.

The seven indicators given a Red RAG rating due to Fife’s performance being below expected levels and there being a statistically significant decline compared to previous performance and/or a decline compared to national performance are as follows:

- NI 3- Percentage of adults supported at home who agreed that they had a say in how their help, care, or support was provided (51% compared to Scotland rate of 59.6% and prior year comparative of 69.7%);
- NI 4- Percentage of adults supported at home who agreed that their health and social care services seemed to be well co-ordinated (53% compared to Scotland rate of 61.4% and prior year comparative of 63.1%);
- NI 12- Emergency admission rate per 100,000 population (13,809 compared to Scotland rate of 11,707 and prior year comparative of 12,872);
- NI 14- Emergency readmissions to hospital within 28 days of discharge rate per 1,000 discharges (118 compared to Scotland rate of 104 and prior year comparative of 117);
- NI 16- Falls rate per 1,000 population aged 65+ (28.1 compared to Scotland rate of 23.0 and prior year comparative of 26.8);

- NI 17- Proportion of care services graded 'good' (4) or better in Care Inspectorate inspections (68.7% compared to Scotland rate of 77% and prior year comparative of 67.2%); and
- NI 18- Percentage of adults with intensive care needs receiving care at home (59.2% compared to Scotland rate of 64.8% and prior year comparative of 59.5%).

The IJB has committed to continue to closely monitor performance in these areas and work to improve performance against the Scottish average by working with partner agencies on new strategies and transformation programmes.

As described in the Financial Sustainability section, there is a risk that the scale of savings required to enable the IJB to achieve a financially sustainable position may impact on its ability to deliver services to a high quality. This also presents a risk of deterioration in the IJB's performance.

Workforce Planning

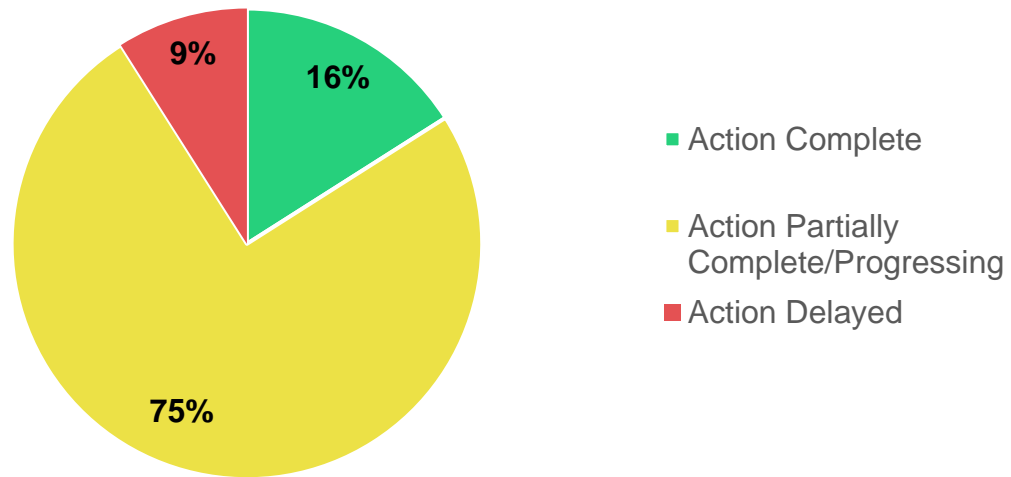
The Workforce Strategy 2022-25 was approved by the IJB in November 2022, accompanied by action plans and supporting governance arrangements. The strategy recognises the challenges currently faced within the workforce and the impact of risks to the IJB including factors such as an ageing workforce, increased vacancy levels, and a growing reliance on supplementary staffing.

Internal Audit carried out a review of the IJB's workforce strategy during 2023/24. The report provided reasonable assurance on the IJB's approach to workforce planning and recognised the inclusive working relationship and collaboration between the partners, NHS Workforce representatives, Fife Council, independent and Third Sector and the Health and Social Care Partnership Organisational Development team in developing the strategy. Internal Audit identified four moderate risk action points, three of which have been addressed and the fourth, relating to collection and utilising of workforce data, is on track to be delivered in line with the year 2 workforce action plan.

In line with internal audit's recommendations, an update report on the year 2 workforce action plan was presented to the IJB in May 2024. All actions within the plan were presented with a RAG status to enable a clear indication of whether an action is not progressing, progressing, partially completed and ongoing or completed.

The update report highlighted that good progress is being made across actions identified under all five workforce pillars. As detailed in exhibit 5, 91% of actions as at April 2024 were either complete or partially complete and on track to be delivered as part of the annual report.

Exhibit 5: Workforce Strategy Year 2 Update



Source: Workforce Strategy Action Plan Year 2: Update- May 2024

An annual report on the delivery of the year two action plan is due to be presented to the IJB in November 2024, alongside the approval of the year three workplan.

The IJB is beginning to undergo preparations for the development of workforce plans for 2025-2028. A report was presented to SLT in August 2024 which included the expected activity and timeline required to develop the next iteration of workforce plans. Due to the positive uptake and engagement with the current workforce strategy, the IJB is expecting that the next iteration of the workforce plans will continue to use the 5 Pillars (Plan, Attract, Train, Employ, Nurture) as a framework but with an added focus on consideration of internal and external environments and informing national developments.

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Workforce Strategy 2022-25 and that workforce action plans are progressing at a good pace.

Best Value

IJBs have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance and monitoring progress towards their strategic objectives.

The IJB approved a best value framework in 2019 and undertake a review against the best value framework on an annual basis. The position statement for 2023/24 is due to be presented to the IJB in November 2024.

Appendices



Appendix 1: Responsibilities of the IJB and the Auditor	46
Appendix 2: Audit differences identified during the audit	53
Appendix 3: Action plan	54
Appendix 4: Follow up of prior year recommendations	57

.....

Appendix 1: Responsibilities of the IJB and the Auditor

IJB Responsibilities

The Code of Audit Practice (2021) sets out the responsibilities of both the IJB and the auditor and are detailed below.

Area	IJB responsibilities
Corporate governance	<p>The IJB is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>The IJB has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position of the IJB and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. Management commentaries should be fair, balanced and understandable. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the IJB and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The IJB is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The IJB is also</p>

Area	IJB responsibilities
	responsible for establishing effective and appropriate internal audit and risk-management functions.
Standards of conduct for prevention and detection of fraud and error	The IJB is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place
Financial position	<p>The IJB is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
Best Value	<p>The IJB has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:</p> <ul style="list-style-type: none"> • The quality of its performance of its functions • The costs to the body of that performance • The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis. <p>In maintaining the balance, the IJB shall have regards to:</p>

Area	IJB responsibilities
	<ul style="list-style-type: none">• Efficiency• Effectiveness• Economy• The need to meet the equal opportunity requirements. <p>The IJB should discharge its duties in a way which contributes to the achievement of sustainable development.</p>

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The 2021 Code came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the IJB and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



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

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance



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

Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes



Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.

Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the IJB's best value arrangements is integrated into our audit approach, including our work on the wider scope areas as set out in this report.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>

Independence

The Ethical Standards and ISA (UK) 260 require us to give the IJB full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we confirm that there are no further matters to bring to the IJB's attention in relation to our integrity, objectivity and independence as auditors that we are required or wish to draw to the IJB's attention.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In particular:

Non-audit services: There were no non-audit services provided to the IJB.

Contingent fees: No contingent fee arrangements are in place for any services provided.

Gifts and hospitality: We have not identified any gifts or hospitality provided to, or received from, any member of the Board, senior management or staff.

Relationships: We have no relationships with the Board, its directors, senior managers and affiliates, and we are not aware of any former partners or staff being employed, or holding discussions in anticipation of employment, as a director, or in a senior management role covering financial, accounting or control related areas.

Our period of total uninterrupted appointment as at the end of 31 March 2024 was two years.

Audit services

The total fees charged to the IJB for the provision of services in 2023/24 were as follows:

	2023/24	2022/23
Auditor Remuneration	£36,420	£37,360
Pooled costs	£1,330	£0
Contribution to PABV costs	£7,770	£6,540
Audit support costs	£0	£1,300
Sectoral cap adjustment	(£12,160)	(£10,730)
Extension of wider scope audit to review lessons learned report	£3,600	N/A
Total audit fees	£36,960	£34,470

The audit fees charged reconcile to the fees disclosed in the financial statements.

Appendix 2: Audit differences identified during the audit

We are required to inform the IJB of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the IJB.

We identified a number of reclassification adjustments and some minor presentational issues in the IJB's accounts, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

No	Detail
1.	Annual Governance Statement - inclusion of the Chief Officer leaving and other minor amendments.
2.	Remuneration Report – inclusion of full pension scheme narrative to be consistent with partner body disclosures and other minor amendments
3.	Management Commentary- inclusion of narrative on the direction which was not followed and other minor amendments.
4.	External Audit Fee- update to note 10 to reflect 2023/24 external audit fee per audit plan.

Overall, we found the disclosed accounting policies and the overall disclosures and presentation to be appropriate.

Appendix 3: Action plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our 2023/24 audit.

The recommendations are categorised into three risk ratings:

Key:

- 1. Significant deficiency**
- 2. Other deficiency**
- 3. Other observation**

1. Lessons Learned Exercise	Other deficiency
<p>Observation</p>	<p>Due to the significance of the year end outturn movement, the Finance, Performance and Scrutiny Committee requested that a lesson learned exercise be undertaken in order to address the key areas contributing to the increase in forecast overspend. A report outlining the scope and findings from the lessons learned exercise was presented to the Finance, Performance and Scrutiny Committee in July 2024. An action plan was developed based on the lessons learned exercise and it was agreed at the Board development session in September 2024 that this will be monitored through regular updates to the Audit and Assurance Committee.</p> <p>We reviewed the report and it meets our expectations of a lessons learned review subject to the following point:</p> <ul style="list-style-type: none"> • We suggest, in review of the tight financial position, that the Audit and Assurance Committee consider requesting Internal Audit to provide independent assurance on the effectiveness of controls identified as part of agreed corrective actions.
<p>Implication</p>	<p>There is a risk that controls identified as part of agreed corrective actions do not operate as effectively as intended.</p>
<p>Recommendation</p>	<p>We recommend that the Audit and Assurance Committee consider requesting Internal Audit to provide independent assurance on the effectiveness of controls identified as part of agreed corrective actions.</p>
<p>Management response</p>	<p>An action plan detailing the corrective actions identified in the lessons learned report has been developed. This plan includes responsible owners, timescales, progress and measures to ensure the actions have been successfully implemented.</p> <p>The action plan was discussed at the IJB development session and will be shared and agreed with partner organisations.</p> <p>It is our intention to provide regular updates on the action plan and provide assurance these additional measures</p>

1. Lessons Learned Exercise

Other deficiency

are in place and appropriate. This will be reported through the Audit & Assurance Committee.

Effective Financial Controls are already in place. The services delivered are very much demand led by the needs of the people of Fife. Given the complexities and sensitivity of their needs, there will be occasions where difficult decisions are taken to commission packages to keep individuals safe in the community.

Improved management information as a result of the move to the new social care system is being developed, combining performance and financial information to allow proactive financial decisions to be made. The dashboards will enhance the management information available to budget holders to aid decision making whilst recognising the complex landscape in which we work.

We believe that the action plan will provide an opportunity for the Audit & Assurance Committee to consider the effectiveness and completeness of the action plan.

Responsible officer:

Audrey Valente, Chief Finance Officer & all owners of Actions within the Action Plan

Implementation date: March 2025

Appendix 4: Follow up of prior year recommendations

We have followed up on the progress the IJB has made in implementing the recommendations raised by the previous auditor last year.

1. Financial pressures and identified savings	
Recommendation	Ensure that financial plans and strategies fully reflect pressures and that savings identified remain deliverable.
Implementation date	March 2024
Ongoing	<p>The updated MTFs and budget for 2024/25 appropriately reflects financial pressures which face the IJB. In addition, each finance update includes a tracker of approved savings targets against the forecast position in order to closely monitor and take action into areas of underachievement against approved savings.</p> <p>For 2024/25, the savings target has increased by £17.6million compared to 2023/24, where full achievement of this challenging target would still leave a small funding gap of £0.033million. This savings target represents a level significantly higher than in previous years where the IJB has previously faced challenges delivering savings targets in full.</p> <p>Revised implementation date: Audrey Valente, Chief Finance Officer Responsible officer: March 2025</p>



© Azets 2024. All rights reserved. Azets refers to Azets Audit Services Limited. Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered to carry on audit work in the UK and regulated for a range of investment business activities by the Institute of Chartered Accountants in England and Wales.

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology
