

# South Lanarkshire Integration Joint Board

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for South Lanarkshire Integration Joint Board and the Controller of Audit  
October 2024

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# Key messages

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## 2023/24 annual accounts

- 1 Audit opinions on the annual accounts of the South Lanarkshire Integration Joint Board (the 'IJB') are unmodified i.e. the financial statements and related reports are free from material misstatement.
- 2 One adjustment has been made to the primary financial statements during the course of the audit to correctly reflect the net expenditure recorded in the IJB accounts and to remove the gross income transactions.

## Financial management

- 3 The IJB has appropriate and effective financial management arrangements in place. The IJB reported a deficit on the provision of services of £9.105 million in 2023/24. The outturn position includes the use of £15.855 million of reserves in year. The underlying operational performance was an underspend of £6.750 million.
- 4 The IJB's underlying financial position is reflected in the movement in General Fund Reserves. During 2023/24 General Fund Reserves decreased by £9.105 million to £28.835 million. This was £6.750 million less than planned due to the underspend in operational performance.

## Financial Sustainability

- 5 The IJB has a medium-term plan in place which reflects the financial challenges and uncertainty facing the organisation. The IJB has forecast a budget gap of £74.153 million over the period 2024/25 to 2027/28.
- 6 While the IJB has developed plans to address financial challenges over the medium term, a longer term financial strategy should be developed to demonstrate the IJB's longer-term financial sustainability and resilience.

## Vision, leadership, and governance

- 7 Governance arrangements are appropriate and operated effectively. There is effective scrutiny, challenge and informed decision making.
- 8 The Integration Scheme was updated in March 2024.

## Use of resources to improve outcomes

- 9** The 2023/24 Draft Annual Performance Report (APR) was approved on 24 September 2024. Regular performance reports are submitted to the IJB and the Performance and Audit Sub-Committee (PASC). Performance during 2023/24 has been mixed.
- 10** South Lanarkshire IJB has appropriate arrangements in place for securing Best Value.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 annual audit of South Lanarkshire IJB (the 'IJB'). The scope of the audit was set out in an Annual Audit Plan presented to the 20 February 2024 meeting of the PASC. This Annual Audit Report comprises:

- significant matters arising from an audit of South Lanarkshire IJB's annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [\*Code of Audit Practice 2021\*](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.
- conclusions on South Lanarkshire IJB's arrangements for meeting its Best Value duties.

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

## Audit appointment

**3.** I, John Boyd, have been appointed by the Accounts Commission as auditor of South Lanarkshire IJB for the period from 2022/23 until 2026/27.

**4.** My team and I would like to thank board members, senior management, and in particular those staff involved in the preparation of the annual accounts for their cooperation and assistance in this year and we look forward to working together constructively over the course of the remainder of the five-year appointment.

## Responsibilities and reporting

**5.** South Lanarkshire 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. South Lanarkshire IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** My responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the Code of Audit Practice 2021 and supplementary guidance, and International Standards on Auditing in the UK.

**7.** Weaknesses or risks identified are only those which have come to my attention during my team's normal audit work and may not be all that exist. Communicating these does not absolve management of South Lanarkshire IJB from its responsibility to address the issues raised and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## **Auditor Independence**

**9.** I can confirm that my team and I comply with the Financial Reporting Council's Ethical Standard. I can also confirm that my team and I have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £33,360 as set out in the 2023/24 Annual Audit Plan remains unchanged. I am not aware of any relationships that could compromise our objectivity and independence.

**10.** The annual audit adds value to South Lanarkshire IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations.
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

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## Main judgements

Audit opinions on the annual accounts of the IJB are unmodified.

One adjustment has been made to the primary financial statements during the course of the audit to correctly reflect the net expenditure recorded in the IJB accounts and to remove the gross income transactions.

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## Audit opinions on the annual accounts are unmodified

**11.** PASC approved the annual accounts for South Lanarkshire IJB for the year ended 31 March 2024 on 29 October 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- 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 was prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014
- the Management Commentary and Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## Overall materiality was assessed on receipt of the annual accounts as £14.6 million

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£14.600 million
Performance materiality	£10.950 million
Reporting threshold	£0.730 million

Source: Audit Scotland

**14.** The overall materiality threshold for the audit of the annual accounts of South Lanarkshire IJB was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of minimal errors and no significant issues noted during planning or from the previous audit team.

**16.** It is my 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.

## Significant findings and key audit matters

**17.** Under ISA (UK) 260, we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

**18.** The Code of Audit Practice also requires me to highlight key audit matters, which are defined in ISA (UK) 701 as those judged to be of most significance.

**19.** The significant findings are summarised in [Exhibit 2](#).

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## Exhibit 2

### Significant findings and key audit matters from the audit of the annual accounts



Issue	Resolution
<p><b>1. Incorrect recognition of income and expenditure transactions undertaken by South Lanarkshire Council</b></p> <p>In the delivery of services, South Lanarkshire Council recognises income from charges to customers and HRA funding. In the unaudited IJB accounts, the IJB had recognised these as income (£11.008 million) and corresponding commissioning expenditure with the Council. The transactions are those undertaken by South Lanarkshire Council in the operational delivery of services and not transactions applicable to the IJB and therefore should not be included in the IJB accounts.</p>	<p>Officers have updated the accounts to appropriately remove the income of £11.008 million and corresponding expenditure of £11.008 million from the financial statements to ensure that these are free from material misstatement.</p> <p>The IJB should ensure that in preparing future annual accounts, both the financial and non-financial information reflects the strategic commissioning role of the IJB. While the operational delivery of services through the health and social care partnership are relevant to the organisation, it is important that the accounts appropriately balance this with the core focus and purpose of the IJB.</p> <p><b><u>Recommendation 1</u></b></p> <p>(Refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

## Audit work responded to the risks of material misstatement identified in the annual accounts

**20.** My team and I obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 3

#### Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud</p>	<ul style="list-style-type: none"> <li>• Agreement of balances and transactions to South Lanarkshire Council and NHS Lanarkshire financial reports / ledger / correspondence.</li> <li>• Assurances will be obtained from the auditors of NHS Lanarkshire and South Lanarkshire Council</li> </ul>	<p>Through our performed audit procedures we have not identified any indication of material misstatement in the financial statements through fraud or error caused by management override of controls.</p>

Audit risk	Assurance procedure	Results and conclusions
because of management's ability to override controls that otherwise appear to be operating effectively.	<p>over the completeness, accuracy and allocation of income and expenditure.</p> <ul style="list-style-type: none"> <li>• Review of significant adjustments at year-end where we consider there to be greatest risk of material misstatement through management override of controls.</li> <li>• Review of financial monitoring reports during the year.</li> <li>• Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</li> <li>• Evaluate any significant unusual transactions outside the normal course of business.</li> </ul>	

Source: Audit Scotland

### **There was one misstatement to the financial statements which has been adjusted for in the final accounts. There were a number of presentational adjustments to the draft financial statements.**

**21.** Other than the corrected material misstatement detailed as a significant finding in [Exhibit 2](#), the audit identified no misstatements above the reporting threshold.

**22.** The audit team identified a number of presentational misstatements. These have been corrected by the IJB.

### **Recommendation 1**

In the preparation of the annual accounts, the IJB should review the presentation of both financial and non-financial information to ensure this reflects the organisation's role as a strategic commissioning body. While the operational delivery of services is relevant to the IJB it is important that the annual accounts maintain a focus on the strategic role of the IJB.

## **The unaudited annual accounts were received in line with the agreed audit timetable**

**23.** The unaudited annual accounts were received in line with the agreed audit timetable on 25 June 2024. The accounts and supporting working papers were of a good quality.

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

**24.** The IJB has made good progress in implementing the agreed prior year audit recommendations. Actions taken by officers to resolve prior year recommendations are set out in [Appendix 1](#).

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusion

The IJB has appropriate and effective financial management arrangements in place. The IJB reported a deficit on the provision of services of £9.105 million in 2023/24. The outturn position includes the use of £15.855 million of reserves in year. The underlying operational performance was an underspend of £6.750 million.

The IJB's underlying financial position is reflected in the movement in General Fund Reserves. During 2023/24 General Fund Reserves decreased by £9.105 million to £28.835 million. This was £6.750 million less than planned due to the underspend in operational performance.

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**25.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Financial Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

### **The initial 2023/24 financial plan was updated to reflect changes in planned expenditure and funding**

**26.** The IJB approved its initial 2023/24 financial plan in March 2023 with an identified funding gap of £15.538 million. Proposals to address the funding gap included recurring options of £5.900 million and non-recurring options of £9.638 million. Recurring options included efficiency savings for Prescribing of £2.700 million and non-recurring options included use of reserves of £8.215 million.

**27.** During 2023/24 the financial plan was regularly updated to reflect changes to planned expenditure and to reflect updated funding levels. The final 2023/24 budget was for £726.821 million, to be met from £525.869 million of funding from NHS Lanarkshire, £185.097 million of funding from South Lanarkshire Council and £15.855 million funding from reserves.

**The IJB reported a deficit on provision of services of £9.105 million which included an underspend of £6.750 million against budget**

**28.** The IJB annual accounts show a deficit on the provision of services of £9.105 million. The underlying operational performance was an underspend of £6.750 million. Areas of biggest underspend included Addiction Services (£3.2 million), Hosted Services (£1.5million) and Locality and Other Services (£7.1 million). The biggest area of overspend was Prescribing Costs (£6.7 million).

**29.** The IJB's underlying financial position is reflected in the movement in General Fund Reserves. During 2023/24 General Fund Reserves decreased by £9.105 million to £28.835 million. This was £6.750 million less than planned due to the underspend in operational performance.

### **Budget processes and financial monitoring arrangements are appropriate**

**30.** Detailed financial monitoring reports were submitted to the IJB and PASC throughout the year. The year to date position and projected year-end outturn position were clearly stated in these reports. The up to date drawdown on reserves and projected outturn is also included in the reports. There were a number of changes in the year to the underlying budget through additional funding allocations.

### **South Lanarkshire IJB has appropriate financial control arrangements in place**

**31.** South Lanarkshire IJB does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

**32.** As part of our audit approach, we sought assurances from the external auditor of NHS Lanarkshire and South Lanarkshire Council. Neither the health board nor council auditors reported any significant weaknesses that could result in a risk to the annual accounts of the IJB.

### **The IJB have concluded that they can place a reasonable level of assurance over the adequacy and effectiveness of the partnership's framework of governance, risk management and internal control arrangements for the year ending 31 March 2024.**

**33.** Internal audit provides the IJB with independent assurance on risk management, internal control and corporate governance processes. South Lanarkshire IJB's internal audit function is provided through a joint approach utilising the internal audit functions of NHS Lanarkshire and South Lanarkshire Council. The 2023/24 internal audit plan was agreed by PASC on 21 February 2023 and all internal audit work has been completed.

**34.** The Internal Audit Annual Assurance Report 2023/24 was submitted to PASC on 28 May 2024. Based on the internal audit work during the year and knowledge of wider governance, risk management and control arrangements the internal audit opinion is that, overall, a reasonable level of assurance can be placed upon the adequacy and effectiveness of the South Lanarkshire IJB's

framework of governance, risk management and control arrangements for the year ending 31 March 2024.

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

**35.** In the public sector there are specific fraud risks, including those relating to payments and other claims made by individuals and organisations. Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery, and corruption.

**36.** The IJB has adequate arrangements in place to prevent and detect fraud or other irregularities.

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

# 3. 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.

## Conclusion

The IJB has a medium-term financial plan in place which reflects the financial challenges and uncertainty facing the organisation over the medium term. The IJB has forecast a budget gap of £74.153 million over the period 2024/25 to 2027/28.

While the IJB has developed plans to address financial challenges over the medium term, a longer term financial strategy should be developed to demonstrate the IJB's longer-term financial sustainability and resilience.

## Audit work in response to risks relating to financial sustainability identified in the 2023/24 Annual Audit Plan

38. [Exhibit 4](#) sets out the wider scope risks relating to Financial Sustainability identified in the 2023/24 Annual Audit Plan. It summarises the audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

### Exhibit 4

#### Risks identified from my wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Financial sustainability</b> In recent years the IJB has achieved short-term financial balance. However, it continues to be faced with significant financial challenges, and difficult decisions will be required.</p> <p>Work is still required to ensure that there is sustainable financial balance.</p>	<ul style="list-style-type: none"> <li>Review financial monitoring reports to assess the financial position, including progress in realising savings by each partner.</li> <li>Review the controls in place and updates to financial plans to assess the financial sustainability of the Joint Board.</li> <li>Communication and engagement with the partner bodies for financial planning.</li> </ul>	<p>Through its Medium Term Financial Plan and Sustainability and Value Programme the IJB has arrangements in place to manage significant financial challenges over the medium term.</p> <p>These arrangements include</p> <ul style="list-style-type: none"> <li>Identifying/implementing actions to address funding gaps</li> </ul>

Audit risk	Assurance procedure	Results and conclusions
	<ul style="list-style-type: none"> <li>Review the decision making for financial sustainability by members of the Joint Board.</li> <li>Ensuring resources are aligned to the strategic priorities of South Lanarkshire IJB.</li> </ul>	<ul style="list-style-type: none"> <li>progressing transformational change and service redesign</li> <li>scenario planning</li> <li>partnership working</li> </ul> <p><b>Conclusion</b></p> <p>The IJB has a strong focus on financial sustainability over the medium term.</p> <p>It is less clear how the IJB demonstrates financial sustainability and resilience over the longer term.</p> <p><a href="#">Recommendation 2</a></p>

## The IJB has a medium-term financial plan but is yet to develop a longer-term plan

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

**40.** The IJB recognises that it faces significant financial challenges over the coming years. This includes the impact of inflationary pressures on pay and non-pay costs, demographic growth and demand pressures and uncertainty around future funding. The IJB recognises that transformational change is required to allow the IJB to deliver health and social care services in a sustainable way.

**41.** To help secure recurring financial sustainability over the medium term, the IJB has developed a Sustainability and Value Programme 2025-28 (SAVP) and a Medium Term Financial Plan 2025-28 (MTFP). The IJB has forecast a budget gap of £74.153 million over the period 2024/25 to 2027/28. The IJB has started the development of its 2025-28 Strategic Commissioning Plan to replace the 2022-25 plan.

**42.** It is important that there is a clear strategic focus to ensure that transformational activity and decision making is taken in the context of the IJB's longer term financial outlook so that health and social care services are financially sustainable over the longer term.

## Recommendation 2



While the IJB has developed plans to address financial challenges over the medium term, a longer term financial strategy should be developed to demonstrate the IJB's longer-term financial sustainability and resilience.

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**43.** The IJB reserves strategy is updated annually and is aimed at ensuring funding from reserves is directed to best effect to secure financial sustainability and achieve required outcomes. As at 31 March 2024 reserves stood at £28.835 million (ring-fenced: £18.682 million, voluntary: £10.153 million, contingency: nil).

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# 4. Vision, leadership and governance

Public sector 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.

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## Conclusion

Governance arrangements are appropriate and operate effectively and there is effective scrutiny, challenge and informed decision making.

The Integration Scheme was updated in March 2024.

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## Governance arrangements are effective and appropriate and there is effective scrutiny, challenge and informed decision making

**44.** The IJB has well established governance arrangements with the IJB supported through the PASC.

**45.** From review of IJB and PASC reports and through attendance at IJB and PASC meetings throughout the year we have found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

**46.** A revised Scheme of Delegation to Officers was approved by the IJB in December 2023.

**47.** We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

## The Integration Scheme was updated in March 2024

**48.** In March 2024 the Scottish Government approved the updated South Lanarkshire Health and Social Care Integration Scheme. The updated Integration Scheme includes 14 Directions (reduced from 26) which will be kept under review by the IJB as the SAVP is developed. The Integration Scheme has been developed in alignment with the Strategic Commissioning Plan 2022-2025.

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# 5. Use of resources to improve outcomes

Public sector 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.

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## Conclusion

The 2023/24 Draft Annual Performance Report was approved on 24 September 2024. Regular performance reports are submitted to the IJB and PASC. Performance during 2023/24 has been mixed.

The IJB has appropriate arrangements in place for securing Best Value.

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## There are regular performance reports submitted to the IJB and PASC

**49.** Management commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements. Management are committed to clear and transparent reporting of financial and non-financial information within the management commentary.

**50.** The IJB has continued to monitor key performance targets throughout the year. Performance monitoring reports are presented to all regular IJB and PASC meetings. The reports include performance against Ministerial Steering Group targets, the 2022-25 Strategic Commissioning Plan priorities and public protection measures. The reports provide both a summary and detailed information on performance, projections and trends.

**51.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

**52.** The IJB's Draft APR was submitted to the IJB meeting of 24 September 2024 and includes progress against the national health outcomes and financial performance. The Draft APR is aligned to reporting progress against the Strategic Commissioning Plan objectives.

## Performance during 2023/24 was mixed

**53.** The Draft APR and management commentary within the accounts show a mixed performance during 2023/24.

**54.** Areas of good performance highlighted by the IJB include

- intermediate care service has improved, with the service provided by Blantyre Life care campus identified as a success
- improvements in end of life care delivered as a result of innovative work in communities
- there were 1,398 new carers appointed in 23/24
- there has been a decrease in patients waiting over 12 hours in A&E departments

**55.** Areas where performance can be improved include

- pre-5 immunisation is currently just above 90%
- while the medication assisted treatment target was achieved at the end of 23/24 a similar level of performance may not be achievable in 2024/25
- reducing patient waiting times and acute hospital occupancy.

## The IJB has appropriate arrangements in place for securing Best Value

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

**57.** The IJB demonstrates best value by ensuring that resources are utilized efficiently and effectively to deliver high-quality services that meet the needs of the community. This is achieved through a commitment to continuous improvement, accountability and transparency in decision-making processes. The partnership adopts a person-centred approach, focusing on integrated outcomes that improve the well-being of individuals and communities.

**58.** The work that the IJB does in relation to the achievement of best value is outlined in the IJB's Best Value Statement covering the following best value principles:

- Governance and accountability
- Service delivery in line with the Strategic Commissioning Plan (SCP)
- Vision and leadership
- Continuous improvement
- Local accountability
- Openness to challenge and support

- Performance monitoring, continuous improvement and community engagement
- Financial sustainability and effective use of resources
- Reliance on each partner's best value arrangements

# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Presentation of financial and non-financial information in the annual accounts</b></p> <p>In the unaudited accounts, the Management Commentary and financial statements contained information on the operational activity of the health and social care partnership rather than that of the strategic commissioning activity of the IJB.</p> <p>Risk – There is a risk that the Management Commentary and notes to the accounts do not reflect the functions and activities of the IJB as a strategic commissioning body.</p>	<p>While the 2023/24 annual report and accounts have been updated to reflect the activities of the IJB and ensure they are free from material misstatements, during the production of future accounts, the IJB should review the presentation of both financial and non-financial information to ensure this reflects the organisation's role as a strategic commissioning body.</p> <p><a href="#">Exhibit 2</a></p>	<p><b>Accepted</b></p> <p>The IJB annual accounts will ensure the financial and non-financial information continues to reflect the role of the IJB as a strategic commissioning body.</p> <p><b>Responsible officer</b> Chief Financial Officer</p> <p><b>Agreed date</b> March 2025</p>
<p><b>2. Longer Term Financial Plan</b></p> <p>Medium term financial plans have been developed which reflects the financial challenges over the next four years. However, the IJB does not have a longer term financial plan.</p> <p>A longer term plan would set out how the IJB's longer term strategic objectives are underpinned by its finances, including the use of any reserves.</p> <p>Risk – There is a risk that as the IJB faces significant financial and operational challenges and services are transformed, that strategic decisions around these are not aligned to longer term financial plans to support financial sustainability.</p>	<p>The IJB should develop a longer term financial plan to demonstrate the longer term financial sustainability and help support longer term strategic planning and decision making.</p> <p><a href="#">Paragraph 42</a></p>	<p><b>Accepted</b></p> <p>Recognising the uncertainty nationally in respect of current and future costs and funding, in particular Scottish Government funding allocations, a longer term financial plan will be developed to demonstrate the longer term financial sustainability and to help support longer term strategic planning and decision making.</p> <p><b>Responsible officer</b> Chief Financial Officer</p> <p><b>Agreed date</b> March 2025</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
<p><b>b/f 1. Financial monitoring</b></p> <p>The IJB financial plan and performance reports include considerable information including performance against service level spend, use of reserves, and key financial challenges faced. However, financial performance reports could be enhanced to provide greater clarity between expenditure incurred in the delivery of services against overall budget, including where reserves are being used to fund expenditure. This would provide greater consistency between the outturn position reported in budget monitoring reports with the outturn position within the annual accounts.</p> <p><b>Risk</b> – There is a risk that there is not clear and transparent reporting</p>	<p><b>Recommendation</b> - The body should review financial monitoring reports to ensure there is clear alignment between total expenditure incurred and service / activity level spend through the accounts. This should include planned spend against reserves to ensure there is transparency over the outturn position.</p> <p><b>Agreed Action</b> - The IJB financial monitoring reports for the current financial year 2023/2024 have been improved to ensure there is transparency in respect of the impact of reserves funding on the year-to-date position. Action will continue to be taken to develop the financial monitoring reports further to ensure there is alignment between total expenditure incurred and service / activity level spend through the accounts, including transparency over the outturn position.</p> <p><b>Responsible Officer</b> Chief Financial Officer</p> <p><b>Timing</b> March 2024</p>	<p>In order to provide greater transparency of the core budgets and non-recurring reserves used to fund actual expenditure incurred in the delivery of services, a table was included in the reserves section of the financial monitoring reports 2023/2024 presented to the PASC and the IJB during 2023/2024.</p> <p>This additional information will continue to be included in future IJB financial monitoring reports to maintain greater consistency and transparency between the financial outturn position reported in financial monitoring reports with the outturn position reported in the annual accounts.</p> <p><b>Implemented</b></p>
<p><b>b/f 2. Cyber security assurances</b></p> <p>The IJB rely on the cyber security arrangements in place at the key strategic partners. While frontline service delivery is the responsibility of the health board and council, during 2022/23 there was no formal assurance around the adequacy or effectiveness of cyber security arrangements in place.</p> <p><b>Risk</b> – There is a risk that the IJB does not have sufficient assurance over cyber security arrangements to prevent, detect and manage potential cyber-security threats.</p>	<p><b>Recommendation</b> - There is an opportunity to enhance the assurances provided to the SLIJB in relation to cyber security risks and arrangements in place at the partner bodies in preventing potential threats to the IJB.</p> <p><b>Agreed Action</b> - Formal assurances will be obtained from the health board and council partners in respect of the adequacy and effectiveness of the cyber security arrangements in place across the responsibilities delegated to the IJB.</p> <p><b>Responsible Officer</b> Chief Financial Officer</p> <p><b>Timing</b> March 2024</p>	<p>The formal assurance arrangements are in place with the NHSL and SLC partners in respect of the adequacy and effectiveness of the cyber security arrangements across the responsibilities delegated to the IJB in 2023/2024.</p> <p><b>Implemented</b></p>
<p><b>b/f 3. Performance reports</b></p> <p>SLIJB's performance reports align to the MSG Performance measures and are supported with wider updates on performance.</p> <p>However, there is an opportunity for the SLIJB to continue to enhance its performance monitoring arrangements to clearly link the strategic priorities to target outcomes and reflect these</p>	<p><b>Recommendation</b> - The IJB should clearly define its target performance outcomes and monitor progress against these. Given the financial and operational pressures facing the IJB this will allow the organisation to clearly articulate its priorities and targeted outcomes and the extent to which these are achieved</p> <p><b>Agreed Action</b> - Given the financial and operational pressures facing the IJB, the performance reports will be</p>	<p>The Performance Monitoring report presented to the PASC on 21 November 2023 had been updated to clearly articulate performance measures that reflect the agreed priorities and targeted outcomes and the extent to which these are achieved.</p> <p>In line with the previous agreement to focus on the top four Strategic Commissioning Plan (SCP) priorities, additional measures are therefore</p>

Issue/risk	Recommendation and agreed action	Progress
<p>through performance monitoring reports.</p> <p><b>Risk</b> – There is a risk that the IJB’s performance measures do not align to the organisation’s strategic priorities to allow the Board to monitor performance and delivery of these.</p>	<p>further defined to clearly articulate the agreed priorities and targeted outcomes and the extent to which these are achieved.</p> <p><b>Responsible Officer</b></p> <p>Head of Commissioning and Performance</p> <p><b>Timing</b></p> <p>March 2024</p>	<p>currently being reported which align to the following four priorities:</p> <ul style="list-style-type: none"> <li>▪ Improving unscheduled care and optimising intermediate care</li> <li>▪ Greater emphasis on early intervention, prevention and inequalities</li> <li>▪ Addressing mental health and addictions</li> <li>▪ Supporting carers</li> </ul> <p>This also aligns to how Locality Implementation Plans have been structured. Performance measures will be monitored and adapted to reflect any change in the top strategic priorities being focussed on.</p> <p><b>Implemented</b></p>



# South Lanarkshire Integration Joint Board

## 2023/24 Annual Audit Report

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