

Clackmannanshire and Stirling Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

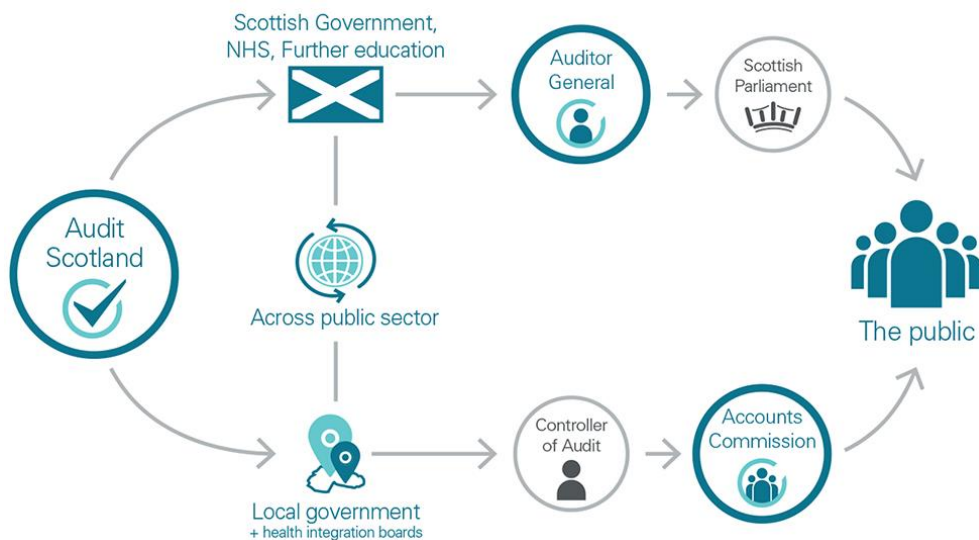
Prepared for Clackmannanshire and Stirling Integration Joint Board and the Controller of Audit

25 September 2019

Who we are

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

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



About us

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

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

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

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Key messages

2018/19 annual report and accounts

- 1 Clackmannanshire and Stirling IJB (the IJB) financial statements give a true and fair view of the state of affairs of the IJB at 31 March 2019 and of its income and expenditure for the year then ended, and were properly prepared.
- 2 The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Financial management and sustainability

- 3 Budgetary processes provide the IJB with timely and reliable information for monitoring financial performance. Further improvements to financial reporting would be achieved if partner financial reporting were aligned with the IJB processes to enable a better understanding of costs across the whole partnership.
- 4 The IJBs financial position remains challenging and the organisation implemented a recovery plan in 2018/19 which included additional contributions of £2.452 million from partners. Despite this, the IJB incurred an in-year loss of £0.383 million which was financed, as it had planned, from its reserves.
- 5 The IJB budget for 2019/20 shows a forecast funding gap of £3.980 million. This figure incorporates £3.302 million of efficiency savings, some of which could be at risk of not being achieved.

Governance, transparency and value for money

- 6 The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.
- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.
- 8 The IJB extended the remit of the Finance & Performance Committee during 2018/19 to enable more detailed scrutiny of performance at service level. This was also aimed at reducing the workload for the Board.
- 9 The annual performance report shows that, overall, the IJB performs well against the Scottish average.

Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of Clackmannanshire and Stirling Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee meeting on 20 February 2019. This report comprises the findings from our main elements of work in 2018/19 including:
 - an audit of the IJB's 2018/19 annual accounts including issuing an independent auditor's report setting out my opinion
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

Adding value through the audit

3. We add value to the IJB, through audit, by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
 - reporting our findings and conclusions in public
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

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

Responsibilities and reporting

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

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

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

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

8. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

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

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £0.025 million, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

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

Part 1

Audit of 2018/19 annual accounts



Main judgements

The financial statements give a true and fair view of the state of affairs of the IJB at 31 March 2019 and of its income and expenditure for the year then ended, and were properly prepared.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

The annual accounts are the principal means of accounting for the stewardship of the board's resources and its performance in the use of those resources.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the board on 25 September 2019. We reported within the independent auditor's report that:

- the financial statements give a true and fair view of the state of affairs of the IJB at 31 March 2019 and of its income and expenditure for the year then ended, and were properly prepared
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

15. We have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 24 June 2019 which was slightly behind our agreed timetable but within the statutory deadline. Financial information was provided to the IJB from the partner authorities in a timely manner which enabled the IJB to produce the accounts before the statutory deadline. The partner authorities also provided the IJB with assurance letters confirming that the figures in the accounts were complete and accurate.

17. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided support to the audit team which helped ensure the audit process ran smoothly.

Risks of material misstatement

18. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that

were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

19. We have no issues to report from our work on the financial statements issues and risks highlighted in our 2018/19 Annual Audit Plan.

Materiality

20. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

21. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£1.909 million
Performance materiality	£1.145 million
Reporting threshold	£0.020 million

Source: Audit Scotland, 2018/19 Annual Audit Plan

Significant findings from the audit in accordance with ISA 260

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.



23. The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.

Subjective aspects of the audit

24. We have no significant findings to report around the subjective aspects (e.g. accounting policies, accounting estimates, significant financial statements disclosures) of the 2018/19 accounting practices although we suggested improvements to the management commentary and the annual governance report. These have been incorporated into the audited accounts.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Hospital Acute Services (Set Aside)</p> <p>The accounts include £20.633 million set aside costs for hospital acute services. The budget and actual expenditure reported for the set aside are equal and based on the historic use of acute services in the area. The figures are provided by NHS Forth Valley. Partners agreed that this would be managed by NHS Forth Valley with no in year financial consequences on the partnership.</p> <p>The set aside sum recorded in the 2018/19 financial statements does not therefore fully reflect actual hospital use. The estimated expenditure for 2018/19 was £21.738 million and the overspend is met by NHS Forth Valley.</p>	<p>The Comprehensive Income and Expenditure Statement in the annual accounts correctly incorporates the set aside costs that was agreed between partners.</p> <p>As required by The Local Authority (Scotland) Accounts Advisory Committee (LASAAC), the accounts provide an explanation of the progress towards implementation of the arrangements for calculating the appropriate amounts of hospital set asides (at note 3 – critical judgements); and the potential impact is reported in the management commentary.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>
<p>2. Comprehensive Income & Expenditure Account (CIES) - income</p> <p>LASAAC guidance for integration joint board accounting requires that income received in return for the provision of a specific service should be presented as income in the relevant service line. As this information was not provided by partner bodies, this was not disclosed in the unaudited accounts and was, instead, netted against expenditure.</p>	<p>Expenditure and income have each been grossed up by £8.425 million in the CIES to reflect income generated by the partners in return for the provision of services. This has no impact on the deficit reported for the financial year.</p> <p> Recommendation 2 (refer appendix 1, action plan)</p>

How we evaluate misstatements

25. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction this lies with those charged with governance considering advice from senior officers and materiality. There were no material adjustments to the unaudited annual accounts arising from our audit.

Follow up of prior year recommendations

26. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

27. In total, six agreed actions were raised in 2017/18. Of these:

- four have been fully implemented
- two are progressing towards implementation and continue to be relevant.

28. Overall the IJB has made reasonable progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management as set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

Budgetary processes provide the IJB with timely and reliable information for monitoring financial performance. Further improvements to financial reporting would be achieved if partner financial reporting were aligned with the IJB processes to enable a better understanding of costs across the whole partnership.

The IJBs financial position remains challenging and the organisation implemented a recovery plan in 2018/19 which included additional contributions of £2.452 million from partners. Despite this, the IJB incurred an in-year loss of £0.383 million which was financed, as it had planned, from its reserves.

The IJB budget for 2019/20 shows a forecast funding gap of £3.980 million. This figure incorporates £3.302 million of efficiency savings, some of which could be at risk of not being achieved.

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

Financial management

29. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Financial Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

30. All funding and expenditure for the IJB is incurred by partners' bodies and processed in their accounting records. The finance teams of NHS Forth Valley, Stirling Council, and Clackmannanshire Council operate independently, use different financial systems, and report separately to the IJB Chief Finance Officer. The IJB relies on each partner body to provide accurate and timely financial monitoring information in order to prepare its financial performance reports. This presents a challenge for aligning financial monitoring data for the IJB.

31. The existing finance reports that are presented quarterly to the Board are largely based on the reporting styles for each of the three partner bodies. While this is useful for management information purposes, more work is required to unify the categories of expenditure across the IJB. As the IJB looks to make efficiency savings it is essential to have a full understanding of costs across the partnership to assist in identifying and managing future transformation program requirements and efficiencies. The IJB has recognised this risk, however further progress still needs to be made to align financial reporting as far as possible.



Recommendation 3

Partner financial reporting should be aligned to improve the efficiency of the IJB's financial monitoring and enable a better understanding of costs across the partnership.

32. Nevertheless, we have concluded that overall the financial management procedures in place are robust. The Chief Finance Officer has procedures in place to identify all income, expenditure and balances; and report financial information to the IJB. Financial reports are presented at each Board meeting. These give a projection of the year end outturn along with reasons for projected under or overspend. They also provide details of any changes made to the budget or projected outturn since the last reporting date.

Systems of internal control

33. The IJB relies on the health board and both councils for its key financial systems such as the ledger and payroll. All transactions are processed through the respective partners' systems and all the controls over systems are within these bodies, rather than the IJB.

34. As part of our audit approach we sought assurances from the external auditor of NHS Forth Valley, Stirling Council and Clackmannanshire Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls for the health board and no weaknesses in the systems of internal controls at either Council which would have an impact on the IJB.

Internal audit

35. We reviewed the IJB's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use the work of internal audit.

36. To avoid duplication of effort we use the work of internal audit wherever possible. While we did not use their work regarding our audit of the IJBs financial statements, we did consider internal audit's work as part of our wider dimension work in the following area:

- Service Redesign and Service User Experience - The Carers Act (Participation & Engagement).

Standards of conduct and arrangements for the prevention and detection of fraud and error

37. The IJB has a range of activities in place designed to maintain standards of conduct including a Code of Conduct for members. Registers of members' interests are in place for Board Members and these are available to view via the relevant partner body websites.

38. As part of the assurances obtained from the external auditors of the partner organisations, it was confirmed that each of the partner organisations had in place

effective polices for bribery and corruption, including established whistleblowing procedures for officers. It is the IJB's intention to develop its own whistleblowing procedures and counter fraud arrangements during 2019 which will increase the mechanisms in which staff can report issues.

39. The IJB has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues that we need to record in this report.

Dependency on key suppliers

40. The impact of a failure or collapse of a key supplier can be significant to an organisation and can result in either delays or non-completion of major contracts or, disruptions in the continued provision of vital services.

41. Through its relationship with partner authorities, the IJB has a number of key non-public sector providers, particularly in the social care environment, including care home providers and care at home providers. Contracts for care home providers are awarded under national care home contract arrangements set by COSLA, and the rates charged by care at home providers are reviewed annually to ensure that they are competitive. The IJB uses various providers for these services which ensures that they are not over reliant on one provider. There is a limited number of providers who provide care at home in rural localities and the IJB recognises the impact that this could have on costs.

Financial performance in 2018/19

42. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partners' bodies and processed in their accounting records. Satisfactory arrangements are in place to identify and report this financial information to the IJB.

43. When the 2018/19 budget was set in March 2018, there were savings requirements of £5.091 million required in order to break even. Savings options of £5.352 million were approved, of which £2.365 million were highlighted as a red risk (i.e. at high risk of not being achieved).

44. Actual efficiency savings of £2.919 million (55% of savings options) were achieved. There were a number of reasons why savings plans were not as effective as anticipated. For example, savings of £0.575 were expected due to a reduction in wastage throughout the partnership, however, no saving was realised against this. Also, a number of the projected savings will not be achieved until 2019/20 or beyond and these savings have been built into future savings plans.

45. Financial reports to the Board during 2018/19 consistently forecast a year-end deficit. This ranged, prior to additional recovery actions and use of reserves, from a peak of £3.886 million in the financial report at 31 July 2018 to £3.259 million in the financial report at 31 January 2019.

46. The reported year end deficit, prior to the impact of the IJB's recovery plan agreed with partners, was £3.203 million. To address this, the recovery plan achieved new savings of £0.368 million, and the partners contributed a further £2.452 million on an agreed risk sharing basis. The remaining £0.383 million, which represents the final IJB deficit as summarised in [exhibit 4](#), was funded from earmarked reserves.

47. The most significant financial pressures and contributors to the overspend were:

- Family health service prescribing costs
- Care at home costs across the partnership

- Long term Care costs across the partnership.

Exhibit 4

Performance against budget

IJB budget summary	Budget £m	Actual £m	Variance £m
NHS Forth Valley	139.975	138.748	(1.227)
Stirling Council	33.835	34.963	1.128
Clackmannanshire Council	16.704	17.186	0.482
Total Net Expenditure	190.514	190.897	0.383
Reserves at beginning of the year			2.360
Earmarked Reserves used in 2018/19			(1.034)
Earmarked Reserves created in 2018/19			0.651
Reserves at end of 2018/19 – all Earmarked			1.977

Source: IJB Financial Report for year ended 31 March 2019 (June 2019) and Annual Accounts 2018/19

48. Part of the IJB's expenditure in 2018/19 relates to the Set Aside budget for in-scope integration functions of the NHS that are carried out in a large hospital setting. The set aside sum recorded in the financial statements reflects the budgeted figures for 2018/19 and therefore does not fully reflect actual hospital use. NHS Forth Valley currently meet the associated cost pressures with the set aside budget, which resulted in an overspend of £1.105 million for 2018/19. In future years, once the IJB take full responsibility for the Set Aside element, this could represent an additional area of risk to the financial sustainability if the partnership is required to fund any resulting overspends from this budget.

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.

Financial planning and sustainability

49. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.

50. As part of the financial planning process for 2019/20 onwards, the IJB reviewed the outcomes from the MTFS in order to outline the potential options for sustainable service delivery in future years and has, for the first time, begun to prepare a medium-term financial plan. This has identified options for sustainable service delivery over the next three financial years aligned to the Strategic Commission Plan 2019-22. The accompanying report to the Board outlined that financial sustainability going forward will be extremely challenging and will require a combination of service transformation and redesign alongside a degree of service reduction.

51. The establishment of a Transforming Care Board has been approved by the IJB Board to support and monitor the change programmes required to meet the ambitions of the Strategic Commissioning Plan 2019-22. The Transforming Care Board will also review and challenge the delivery of the Savings and Efficiency Programme that was submitted to the Finance and Performance Committee in May 2019.

52. The updated financial plan reported to the Board in July 2019 identified that the IJB needs to identify savings over the three-year period to 2021/22 totalling £16.282 million to achieve break even by the end of 2021/22. The updated plan outlines that the IJB have savings proposals in place of £9.982 million, however a cumulative budget gap of £6.300 million remains over the three-year period as noted in [Exhibit 5](#).

Exhibit 5

Funding gap for the three-year period 2018/19 to 2021/22

	2019/20	2020/21	2021/22
	£m	£m	£m
Estimated savings requirements	7.282	4,500	4,500
Surplus (Gap) per annum	(3,980)	(735)	(1,585)
Cumulative Gap still to be identified	(3,980)	(4,715)	(6,300)

Source: 2019/20 Budget Update presented to the Board: July 2019

53. This also demonstrates that the IJB has a funding gap of £3.980 million for 2019/20 that still requires savings to be identified to break even. The IJB is currently working towards identifying options to reduce costs and bring the budget in line with resources available over both the short and medium term.



Recommendation 4

The IJB must ensure that its transformation programme identifies and delivers the sustainable savings required to meet the projected funding gap. This will include alternative means of service delivery and, in some cases, may result in service reductions. As part of this, the IJB should work with its partners to identify the key areas where efficiencies and savings can be achieved.

Reserves strategy

54. The reserves strategy is normally reviewed annually to ensure all financial changes and challenges facing the IJB and its constituent partners are considered in determining the appropriate level of reserves and funding. The IJB plan to review its reserves strategy later in 2019/20, in conjunction with its monitoring of the medium-term financial plan and the phasing of savings requirements over the three years of the financial plan.

55. The un-earmarked element of the general fund balance was nil throughout the year. The deficit, prior to recovery actions, would have resulted in a negative balance in this element of the general fund balance had the partner bodies not provided additional funding of £2.452 million as part of the recovery plan.

56. While the partners reached agreement on how to finance the overspend in 2018/19, this agreement does not currently extend to 2019/20 should a similar overspend occur.

57. The IJB reserves strategy does not set out a minimum reserves level. At the June 2019 Finance & Performance Committee, members did not reach an agreement on the maximum level of overspend (if any) that could be tolerated over the next three years and reflected into service strategy.



Recommendation 5

The IJB should update the reserves strategy to set out a minimum reserves level and agree on a tolerable threshold in respect of overspends and the agreed funding arrangement to meet future overspends.

58. As outlined in [Exhibit 4](#), the IJB is carrying forward a reserves balance of £1.977 million that is earmarked for specific expenditure in future years.

EU Withdrawal

59. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

60. The IJB recognise the impact that EU withdrawal could have across the partnership and have included a risk within the risk register, outlining the actions that will be taken in order to mitigate the potential risk. In doing so, the IJB has worked alongside the constituent authorities to understand the main risks to the partnership, particularly in key areas such as supply chains and workforce.

61. The biggest potential challenge for the IJB is likely to be through a potential “No-Deal” scenario, where there could be significant disruption to medicines making its way into the country. Furthermore, a fall in the value of the pound would increase the costs of these prescribing drugs, which would put added financial pressures on the partnership and increase the likelihood of overspends in future years.

Part 3

Governance, transparency and value for money



Main judgements

The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.



The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.

The IJB extended the remit of the Finance & Performance Committee during 2018/19 to enable more detailed scrutiny of performance at service level. This was also aimed at reducing the workload of the Board. The annual performance report shows that, overall, the IJB performs well against the Scottish average.

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

Governance arrangements

62. The Board is responsible for the management and delivery of health and social care services in the Clackmannanshire and Stirling area and is supported by an Audit & Risk Committee and Finance & Performance Committee (previously the Audit Committee and the Finance Committee).

63. The IJB updated the terms of reference for both committees during the year so that additional focus could be given to the risk management and performance management arrangements. The remit of these committees was also amended to reduce the burden on the Board. The IJB is reviewing its committee structure to ensure this provides support to the Board (for example it has recently approved the set up of the Transforming Care Board).

64. The Board, Audit & Risk Committee and Finance & Performance Committee met on a regular basis throughout the year. The papers provided by officers are of a good standard and provide members with a good overview of the issues being covered, together with more detailed information as appropriate. This helps to ensure that issues are widely debated at committee meetings.

65. The IJB is supported in its work by a Chief Officer and Chief Finance Officer. The former provides strategic and operational advice to the Board while the latter is responsible for financial management including budget monitoring reports.

66. After a period of organisational change, when there were two interim Chief Officers during the six months from December 2018, a permanent Chief Officer was appointed in June 2019. The anticipated review of the governance framework and documents, including an update to the Scheme of Delegation to reflect the delegation of all Adult Services from Stirling Council in 2018, and further delegation of some services from NHS Forth Valley, was put on hold until after the permanent Chief Officer was in place. The IJB now intends to update the governance framework and review the IJBs approach to service delivery during 2019/20.

67. In March 2019, the IJB approved the new Strategic Commissioning Plan for 2019-2022. The Plan provides the strategic direction for how health and social care

services will be shaped in Clackmannanshire and Stirling in the coming years and describes the transformation that will be required to achieve the partnerships visions. The Strategic Commission Plan updates the delivery priorities set out in the Strategic Plan 2016-2019 and aims to align these priorities with medium term financial plans.

68. Overall, we consider that the arrangement in place continue to support good governance and accountability.

Openness and transparency

69. There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

70. There is evidence from a number of sources which demonstrate the IJB's commitment to transparency. Full details of the meetings held by the IJB and the Audit & Risk Committee are available through the partnership's own website where all Board and Audit & Risk committee papers can be viewed.

71. The IJB receives regular financial monitoring reports, after these have been taken to the Finance & Performance committee. All meetings of the Board and the Audit & Risk Committee are open to the public to attend.

72. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

Value for money is concerned with using resources effectively and continually improving services.

Value for money

73. To achieve value for money effective arrangements need to be in place for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

Best value

74. Integration Joint Boards have a statutory duty to make arrangements to secure best value (BV).

75. The IJB demonstrates how it is meeting its BV duties through its reporting against key performance indicators, the progress the partnership is making towards delivering the priorities of the Strategic Commissioning Plan, and through its financial performance reporting mechanisms.

76. The Strategic Commission Plan identifies the high-level priorities for the partnership for the next three years, which were identified by the Strategic Planning Group. In order to do this, the IJB consulted with a wide range of service users, including an online survey, hosting public engagement events in each locality, and carrying out staff engagement to gather views on how services are being delivered.

77. The Strategic Commissioning Plan recognises that to provide sustainable services the partnership will need to make savings or service efficiencies of £5m to £6m each year over the coming years. To achieve this, the IJB is focussing on priorities, with emphasis on supporting people live in their own homes or homely settings as long as possible. The medium-term financial plan and delivery plan aim to ensure that this can be done on a sustainable basis.

78. The introduction of a Transforming Care Board has been approved to support and monitor the change programmes required to meet the ambitions of the Strategic Commissioning Plan 2019-22. This Board will also underpin the Savings and Efficiency Programme.

79. The Care Inspectorate completed a review of "The effectiveness of strategic planning in the Clackmannanshire and Stirling Partnership" which was published in November 2018. This report focussed on the partnership outcomes, management of whole systems of the partnership, and leadership. The Care Inspectorate's report outlined six areas for improvement. The IJB have prepared an improvement plan and progress against the improvement actions is reviewed by the Partnership through the Joint Management Team. The IJB have made progress to date, with a number of actions having already been implemented during 2019. No reports on progress have been taken to the Board although this is scheduled to be done in September 2019.

80. Overall, the IJB is taking steps to provide better alignment between its strategic vision, financial planning and delivery of savings. This needs to be sustained in order to demonstrate that the IJB is meeting its BV duties.

Performance management

81. Performance scorecards for the Clackmannanshire and Stirling Adult Social Care services are established and work is ongoing to provide this data down to locality level. Exceptions from these reports are considered monthly at the Partnership Management Team, and key measures are included in the performance reports to the Board. Other operational scorecards will be developed as delegation of integrated functions progress.

82. The IJB board receives performance reports on a quarterly basis which briefly outline performance against a number of key measures.

83. The focus is on the five local outcomes in the strategic plan. The report also contains information around some of the Ministerial Strategic Group for Health and Community Care (MSG) six key local improvement objectives relating to unscheduled care. These are monitored by the Forth Valley Unscheduled Care Programme Board and used as a high-level assessment of the progress of Health and Social Care Integration. The development of the 2019/22 Strategic Commissioning Plan priorities will be underpinned by performance measures and linked to national outcomes. The IJB aim to incorporate this into performance reports from 2019/20 onwards.

84. The terms of reference of the Finance Committee (now the Finance & Performance Committee) were reviewed in March 2019 to incorporate a wider role in relation to Performance. This includes a wider role regarding service performance review e.g. "deep dives" into service performance issues. Further consideration of the reporting requirements including dedicated performance management support to the committee is planned.

85. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan (if applicable).

86. The draft Annual Performance Report (APR) was submitted to the July 2019 IJB Board meeting and was subsequently uploaded to the web site. The report largely contains the required content as laid out by the 2014 Act, except with regards to Financial Reporting on localities - this matter was previously raised in our 2017/18 Annual Audit Report. Whilst progress has been made during 2018/19, with the partnership establishing a locality management structure linked to GP clusters, there is still a requirement to develop locality plans which are aligned to the Strategic Commissioning Plan priorities. This is currently being developed.

87. The APR shows that, broadly, the IJB is performing well against the national core suite of integration indicators. While there are 23 national indicators, data is not available at a national level for all of them to compare the most recent performance against. Of those that are available, the APR shows that

- the IJB have better performance than Scotland average in eight of the 11 indicators for which recent national data is available
- the IJB have better performance than comparator bodies (i.e. those of a similar size and demography to Clackmannanshire & Stirling) in nine of the seventeen indicators for which the most recent data is available, have poorer performance in five indicators and are at the same level of performance for the remaining three.

Mainstreaming Equality

88. The public sector equality duties set out in the Equality Act 2010, as it applies to public bodies in the exercise of their functions, to have due regard to the need to:

- report on the mainstreaming of the equality duty
- agree and publish equality outcomes
- assess and review policies and practices.

89. As part of this, the IJB reported the progress it had made in order to meet the needs of the General Equality Duty in April 2016. The report also stated that a more focussed review of the outcomes would be carried out in April 2017, however no follow up review has been completed.



Recommendation 6

The IJB should review its mainstreaming equality duties and policies to reflect the recent updates to strategy documents and development of locality plans, and publish its equality outcomes.

National performance audit reports

90. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of direct interest to the board as outlined in [Appendix 3](#).

91. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home.

92. Audit Scotland carried out a second audit in 2018 and the report was issued in November 2018. The report highlighted a number of key findings and recommendations were made to all IJB's so that improvements could be implemented in future years. This report was considered by the Audit Committee at its February 2019 meeting.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Hospital Acute Services (Set Aside)</p> <p>Arrangements for the sum set aside for hospital acute services under the control of CSIJB are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure, based on historical usage, has been agreed and included in the annual report and accounts for each year since inception of the IJB.</p> <p>This was expected to be a transitional arrangement; however, an extension was agreed by the Scottish Government. NHSFV and CSIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2019/20</p> <p>Risk</p> <p>There is a risk that in future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p>	<p>The IJB should agree a basis for the set aside budget with NHS Forth Valley that will be implemented once the current transitional arrangements end.</p> <p>Exhibit 3</p>	<p>Agreed Action: A pan Set Aside expert group has been established and is developing a workplan to address the planning and financial issues associated with set aside arrangements.</p> <p>Responsible Officer: Director of Acute Services NHS Forth Valley / IJB Chief Officer(s) / IJB Chief Finance Officer(s).</p> <p>Target Date: 31 March 2020</p>
2	<p>Consolidated Income & Expenditure Account - income</p> <p>Income received in return for the provision of a specific service should be presented as income in the relevant service line. As this information was not provided by partner bodies, this was not disclosed in the unaudited accounts and</p>	<p>Income received in return for the provision of a specific service should be presented as income in the relevant service line in the current and future year's accounts.</p> <p>Exhibit 3</p>	<p>Agreed Action: Expenditure and income have each been grossed up by £8.425 million in the CIES to reflect income generated by the partners in return for the provision of services. This has no impact on the deficit reported for the financial year</p> <p>Responsible officer: Chief Finance Officer</p>

was, instead, netted against expenditure.

Risk: Income and Expenditure are understated

Target date: implemented for 2018/19 and in future years

3	Financial management	Partner financial reporting should be aligned to improve the efficiency of the IJB's financial monitoring and enable a better understanding of costs across the partnership.	Agreed Action: Continue to work with constituent authorities to improve quality and use of financial and non-financial data (e.g. activity) to support continuous improvement in reporting.
	As the IJB looks to make efficiency savings it is essential to have a full understanding of costs across the partnership to assist in identifying and managing future transformation program requirements and efficiencies.	Paragraph 31	Responsible Officer: IJB Chief Finance Officer
	Risk: The IJB does not have a full understanding of its costs across the partnership, which could hamper their efforts to achieve efficiencies.		Target Date: Ongoing
4	Financial planning and sustainability	The IJB must ensure that its transformation programme identifies and delivers the sustainable savings required to meet the projected funding gap. This will include alternative means of service delivery and, in some cases, may result in service reductions. As part of this, the IJB should work with its partners to identify the key areas where efficiencies and savings can be achieved.	Agreed Action: Establishment of Transforming Care Programme Board and agreement of terms of reference including membership. This Board will be responsible for ensuring that the transformation programme identifies sustainable savings options and will monitor progress and delivery.
	The updated financial plan reported to the Board in July 2019 identified that the IJB needs to identify savings over the three-year period to 2021/22 totalling £16.282 million to achieve break even. The updated plan outlines that the IJB have savings proposals in place of £9.982 million, however a cumulative budget gap of £6.300 million remains over the three-year period.	Paragraph 53	Responsible Officer: IJB Chief Officer & Chief Finance Officer
	Risk - The board may not be able to deliver the targeted savings or identify the residual savings required over the three-year period of the financial plan.		Target Date: 31 December 2019
5	Reserves strategy	The IJB should update the reserves strategy to set out a minimum reserves level and agree on a tolerable threshold in respect of overspends and the agreed funding arrangement to meet future overspends	Agreed Action: Review of reserves strategy and policy, linked to medium term financial planning and discussions with constituent authorities on resourcing strategy will be progressed with partners.
	The IJB reserves strategy does not set out a minimum reserves level. While the partners reached agreement on how to finance the overspend in 2018/19, this agreement does not currently extend to 2019/20 should a similar overspend occur.	Paragraph 57	Responsible Officer: IJB Chief Finance Officer
	Risk: Partners may not agree a basis for financing a recovery plan should an overspend arise in future years.		Target Date: 31 December 2019

6	Mainstreaming equality	The IJB should review its mainstreaming equality duties and policies to reflect the recent updates to strategy documents and development of locality plans, and publish its equality outcomes.	Agreed Action: Review of Equalities Mainstreaming Policy and publication of equality outcomes required by the Equality Act 2010.
	Risk: The Board may not be fulfilling its equality duties.	Paragraph 89	Responsible Officer: Programme Manager
			Target Date: 31 March 2020

Follow up of prior year recommendations

b/f 1	Hospital Acute Services (Set aside)	The IJB should agree a basis for the set aside budget with NHS Forth Valley that will be implemented once the current transitional arrangements end.	Not actioned: the updated basis for charging hospital acute services to the IJB has not yet been agreed with partners.
	Arrangements for the sum set aside for hospital acute services under the control of CSIJB are not yet operating as required by legislation and statutory guidance.		Revised action: refer to 1 above
	A notional figure, based on historical usage, has been agreed and included in the annual report and accounts for both 2016/17 and 2017/18.		Responsible officer: IJB Chief Finance Officer
	This was expected to be a transitional arrangement for 2016/17, however an extension was agreed by the Scottish Government. NHSFV and CSIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2018/19.		
	Risk		
	There is a risk that in future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.		
b/f 2	Financial Planning – longer term planning	Longer term financial planning should be developed to take account of any required future budget savings pressures and to demonstrate a link to the objectives set out in the three-year strategic plan and the subsequent refresh.	Partly actioned: a medium-term financial plan is in place and ongoing alignment to the strategic commission plan 2019/22 is progressing.
	The IJB does not currently have a medium to long term financial plan in place.		Revised action: n/a
	Risk		Responsible officer: n/a
	The absence of longer-term financial planning increases the risk of the IJB not being able to achieve its strategic objectives.		
b/f 3	Efficiency savings	The IJB should ensure that proposed savings contained in the 2018/19 budget are	Not actioned: The IJB did not achieve its planned efficiency savings in 2018/19 and a

In 2018/19 the IJB is required to deliver £4.9 million of savings to break even. The board has identified savings to achieve this but has highlighted that £2.365 million of these are considered high risk and may not materialise.

Risk

The board may not be able to deliver the targeted savings in 2018/19, which increases the risk of the IJB overspending its budget.

implemented or ensure that a recovery plan is agreed between partners at the earliest opportunity.

budget gap exists for the next three year.

Revised action: refer to action plan 4 above.

Responsible officer: Chief Finance Officer

b/f 4 Efficiency savings – tracker

The required efficiencies for 2018/19 do not specify whether the efficiencies are recurring or non-recurring.

Risk

Any non-recurring savings will increase the savings required in future years

Required efficiencies should be recurring wherever possible. These should be categorised between recurring and non-recurring in all monitoring reports; and the Board should be advised of the impact of using non recurring savings to address overspends.

Fully actioned: all savings are assessed as being recurring savings.

Revised action: n/a

Responsible officer: n/a

b/f 5 Audit Committee meetings

For the second year in succession, the June Audit Committee was postponed due to being inquorate. Amongst other items, this was the meeting at which the unaudited accounts were due to be approved.

Risk

This increases the risk of actions by the IJB not being scrutinised.

Members should be reminded of their responsibilities to attend meetings in order to ensure that the actions of the IJB are scrutinised.

Fully Actioned: The Terms of Reference for the Audit & Risk Committee have been altered so that only 50% of members require to be present at meetings for the meeting to remain quorate. This is in line with other IJB's. All meetings were quorate in 2018/19

Revised action: n/a - implemented

Responsible officer: n/a

b/f 6 Inspection of unaudited accounts

The inspection period for the public to inspect the unaudited accounts and accounting records was five days later than the statutory period specified by regulations.

Risk

The requirements of the Local Authority Accounts (Scotland) Regulations 2014 are not met.

Future inspection periods should be in accordance with the statutory inspection period

Fully actioned: The inspection period for the 2018/19 unaudited accounts complied with the requirements of the Local Authority Accounts (Scotland) Regulations 2014.

Revised action: n/a - implemented

Responsible officer: n/a

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Reviewed the significant accounting estimates and did not identify any issues.</p> <p>Reviewed the process, accuracy and completeness of consolidating the financial reports from the three host bodies.</p> <p>Obtained written assurances from the external auditors of the three partner bodies on the completeness, accuracy and allocation of the income and expenditure transactions of the IJB. No issues were noted.</p> <p>Conclusion: no evidence of management override of controls.</p>
<p>2 Risk of fraud over income and expenditure</p> <p>Under ISA 240 (UK) there is a presumed risk that income may be misstated due to the improper recognition of income. The Financial Reporting Council's Practice Note 10 expands this to include the risk that material misstatements occur by the manipulation of expenditure recognition</p>	<p>The IJB receives its income by way of budget allocations from Clackmannanshire Council, Stirling Council and NHS Forth Valley; and then commissions services in line with its Strategic Plan. As this limits the opportunity for manipulation, we have rebutted the presumed risk of improper recognition of income.</p> <p>IJB expenditure is processed through the financial systems of the partner bodies. The manipulation of expenditure is deemed as a risk at the Councils and Health Board rather than the IJB. We obtain assurances from the auditors of the partner bodies over the accuracy and completeness of transactions coded to IJB account codes. Consequently, we have rebutted the risk of</p>	<p>We obtained assurances from the auditors of the partner bodies over the accuracy and completeness of transactions coded to IJB account codes.</p> <p>Conclusion: As we rebutted the risk around fraud over income and expenditure no specific work was carried out.</p>

Audit risk	Assurance procedure	Results and conclusions
	improper recognition of expenditure within the IJB.	

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

3 Financial sustainability

2018/19 budget overspend

During 2018/19, the IJB has faced a number of financial challenges including:

- Based on the latest budget monitoring report for the period to 31st September 2018, the IJB is projecting an overspend of £2.773 million.
- The savings and efficiencies programme for 2018/19 requires savings of £5.674 million to be made in year. Current projections indicate that only 54% of these savings will be delivered.
- Increasing demand for services, particularly within Adult Social Care.

The IJB carried forward £2.359 million of earmarked general fund into 2018/19, and it is expected that only a very small amount of this will be used to fund the projected overspend.

Recovery actions are in place, however, this will not deliver the efficiency savings required. Therefore, there is a significant risk that the IJB will not be able to deliver a break-even position in 2018/19. The integration scheme outlines, in broad terms, the procedures that partner bodies should follow in the event of an overspend. As these procedures are subject to agreement, discussions are underway between partners to agree how the projected overspend for 2018/19 shall be funded.

2019/20 onwards

For 2019/20, the IJB will continue to face a number of financial challenges, including:

- Early indications have outlined that the IJB will be required to make approximately £4 million of

Regular financial monitoring is reported to the IJB and discussed with partners.

The IJB plans to update the integration scheme during 2019/20 to make this clearer regarding how overspends should be financed and accounted for in future.

Partners will meet to agree the basis for financing the projected 2018/19 overspend

Due diligence will be completed over the budget setting process. This will build on experience gained in prior years and the need for the IJB to meet savings requirements.

The IJB were unable to achieve all the efficiency savings necessary to break even in 2018/19. The basis for agreeing the 2018/19 overspend was agreed with partners in accordance with their voting share. This was in accordance with one of the options in the integration scheme.

The 2019/20 budget was agreed between partners, however, all savings necessary to break even in 2019/20 (and the subsequent two financial years) have yet to be identified and there is a budget gap in each of these years.

Conclusion: The IJB continues to face challenges to identify and deliver the efficiency savings that are necessary to break even over the medium term. Action is required to ensure that the transformation programme delivers the planned level of savings. See recommendation 4 (paragraph 53)

Audit risk	Assurance procedure	Results and conclusions
<p>efficiency savings. However, failure to deliver efficiency savings in 2018/19 could impact this figure.</p> <ul style="list-style-type: none"> • An ageing demographic across the partnership means demand for services is expected to increase. • Continued volatility in prescribing costs. <p>There is a risk that delays in agreeing the 2019/20 budget will impact negatively on the financial management of the IJB and service delivery.</p>		
<p>4 Financial planning – longer term planning</p> <p>Both the integration scheme and the strategic plan state that the IJB should have medium term financial planning.</p> <p>The IJB does not currently have a medium to long term financial strategy or plan in place.</p> <p>There is a risk that the IJB does not have a strategic approach towards how it will finance its longer term service delivery objectives. A longer term financial strategy, supported by the integration scheme, would also be of benefit in helping to address the shorter term financial sustainability issues raised above.</p>	<p>A medium-term financial strategy to support delivery of the strategic plan is being developed and will support the Strategic Commissioning Plan 2019 – 2022.</p>	<p>A medium-term financial strategy has been developed.</p> <p>This currently identifies a funding gap of £6.300 million over the next three financial years. This gap could increase if existing approved efficiency options are not achieved.</p> <p>This is being refined to ensure it aligns to any amendments to the strategic commissioning plan 2019-22.</p> <p>Conclusion: The IJB has a medium-term financial strategy in place. This has been aligned to the strategic commissioning strategy 2019-22, although further alignment is planned. The IJB needs to ensure that its transformation programme identifies and delivers the sustainable savings required to meet the projected funding gap.</p>

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Reports relevant to Integration Joint Boards

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

Clackmannanshire & Stirling IJB

2018/19 Annual Audit Report

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