

# Fife Integration Joint Board

2019/20 Annual Audit Report



 AUDIT SCOTLAND

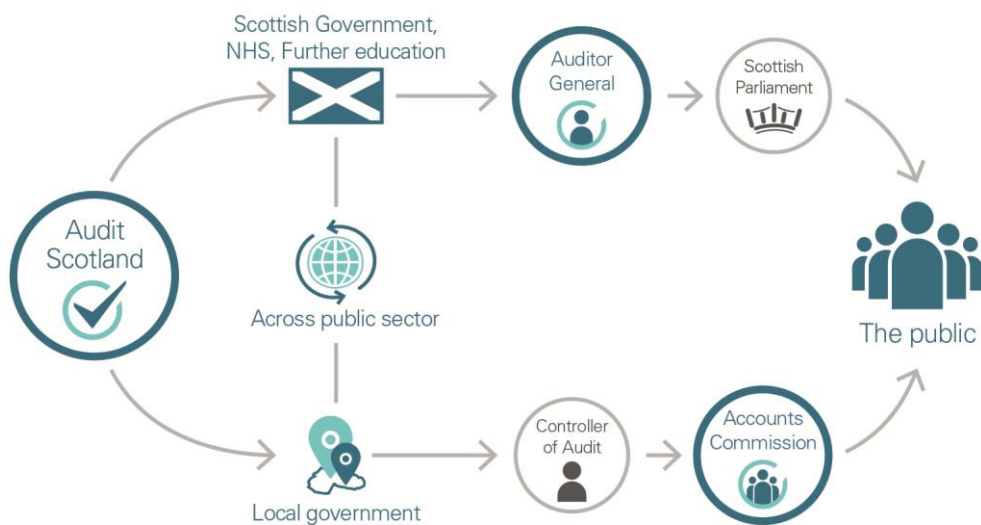
Prepared for Fife Integration Joint Board and the Controller of Audit

20 November 2020

## 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.



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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

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## 2019/20 annual report and accounts

- 1 Our audit opinions on the annual accounts are all unmodified.
- 2 The annual accounts were submitted for audit on time. The limitations of remote working impacted on our audit timetable.
- 3 The treatment of service income in the IJB accounts is inconsistent between partner bodies.

## Financial management and sustainability

- 4 The 2019/20 budget was not balanced and included a budgeted overspend of £6.6 million, agreed by partners, which was delivered. The budgeted shortfall was again met by deficit-funding by the partners at the year-end resulting in a breakeven position.
- 5 Budget setting and financial management needs to continue to improve with partners.
- 6 A new medium-term financial strategy was developed, and a balanced budget set for 2020/21, with increased savings targets.
- 7 Covid 19 has led to additional financial pressures in 2020/21 with over 40% of budgeted savings for 2020/21 now in doubt.

## Governance, transparency and best value

- 8 The IJB has been working to clarify roles and responsibilities and a review of governance arrangements is ongoing.
- 9 Review of the integration scheme has been delayed due to Covid-19.
- 10 It is likely that transformation plans will need to be reviewed and revised due to Covid-19
- 11 A refreshed performance management framework is in place, but performance reporting could be improved.
- 12 Two Fife initiatives have been identified as emergent good practice by Health and Social Care Scotland.

# Introduction

1. This report is a summary of our findings arising from the 2019/20 audit of Fife 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 13 March 2020. This report comprises the findings from our main elements of work in 2019/20 including:
  - an audit of the IJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
  - consideration of the wider audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016 \(Exhibit 1\)](#).

## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the global coronavirus pandemic. For the financial year 2019/20, only the final few weeks were affected, however the effects will have significant impact into 2020/21. We have carried out our planned audit work remotely to comply with travel restrictions and physical distancing.

### Adding value through the audit

4. We add value to the IJB, through audit, by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice through our national reports ([Appendix 4](#)) and good practice guides

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

5. We aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

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

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

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

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

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

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

11. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

## Auditor Independence

12. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements, auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £27,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. 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](http://www.audit-scotland.gov.uk) in due course.

15. 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 2019/20 annual accounts



### Main judgements

**Our audit opinions on the annual accounts are all unmodified.**

**The annual accounts were submitted for audit on time, but the limitations of remote working impacted on our audit timetable.**

**The treatment of service income in the IJB accounts is inconsistent between partner bodies.**

The annual report and accounts are the principal means of accounting for the stewardship of the resources and performance.

### Our audit opinions on the annual accounts are unmodified

16. The annual accounts for the year ended 31 March 2020 were approved by the IJB Audit and Risk Committee on 20 November 2020. We reported within the independent auditor's report that:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

### The annual accounts were submitted for audit on time but the limitations of remote working impacted on our audit timetable

17. We received the unaudited accounts on 30 June in line with the normal timetable. Audits have taken longer this year and the IJB audit has been impacted by delays to the audit of partner body accounts. It was necessary to request additional analysis of constituent body costs in some cases and this contributed to the time taken for the audit.

18. We received a good level of support from finance staff involved in the provision of information for the IJB accounts and summary working papers were of a good standard.

19. Audit Scotland's [Covid-19: Guide for audit and risk committees \(August 2020\)](#) recommends that members consider whether there is sufficient management capacity to deal with competing pressures during the current period when working practices have had to be adapted due to Covid-19.

### Overall materiality is £5.7 million

20. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual report and accounts.

21. On receipt of the unaudited annual accounts we reviewed our materiality calculations. Our materiality values are shown at [Exhibit 2](#).

## Exhibit 2 Materiality values

	Amount
Overall materiality	£5.7 million
Performance materiality	£3.4 million
Reporting threshold	£170,000

Source: Audit Scotland


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

22. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. It also identifies the work we undertook to address these risks and our conclusions from this work.

## We have one significant finding to report from the audit

23. 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. The significant findings are summarised in [Exhibit 3](#).

## Exhibit 3 Significant findings from the audit of the financial statements

Findings	Resolution
<p><b>1. Treatment of partner body income</b></p> <p>The costs of IJB activities undertaken by NHS Fife are shown gross. Income from client receipts, other NHS boards and the council, for example, is not reflected in the costs included in the IJB accounts. The most significant area is dental charges paid by patients.</p> <p>This is inconsistent with the treatment of council activities where IJB costs are shown net of income.</p>	<p>We confirmed that NHS expenditure budgets had been adjusted for changes in income levels (non-dental income).</p> <p>Additional disclosures were included in the IJB accounts explaining the basis of accounting.</p> <p> Recommendation 1 (refer <a href="#">appendix 1</a>, action plan) Ensure that the revised integration scheme covers the treatment of income for accounting purposes and the accounts are consistent with the integration scheme.</p>

## Identified misstatements of £196,000 are unadjusted in the accounts, these were less than our performance materiality and we did not need to further revise our audit approach

24. Misstatements relating to car lease income totalling £196,000 were identified. Correction of this misstatement would have reduced contribution income and commissioning expenditure. We have concluded that this misstatement relating to



staff costs is isolated. 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 lies with those charged with governance considering advice from senior officers and materiality. Management have not adjusted for this item (also shown in Appendix 3) on the basis of materiality.

25. During the audit we also identified a number of anomalies with the narrative reports and amendments were made to the accounts accordingly. There remains scope for further improving the management commentary which could have been more concise and made more balanced use of performance information.

### **There were no material adjustments to the unaudited accounts**

26. There were no material adjustments to the unaudited accounts arising from our audit.

### **Some progress has been made on prior year recommendations**

27. The IJB has made some progress in implementing our prior year audit recommendations. For actions not yet implemented we have considered these in forming our recommendations made for the current year with revised responses and timescales agreed with management. Recommendations from 2019/20 and those from prior years and are set out in [Appendix 1](#).

# Part 2

## Financial management and sustainability



### Main judgements



The 2019/20 budget was not balanced and included a budgeted overspend of £6.6 million, agreed by partners, which was delivered. The budgeted shortfall was again met by deficit-funding by the partners at the year-end resulting in a breakeven position.

Budget setting and financial management needs to continue to improve with partners.

A new medium-term financial strategy was developed, and a balanced budget set for 2020/21, with increased savings targets.

Covid 19 has led to additional financial pressures in 2020/21 with over 40% of budgeted savings for 2020/21 now in doubt.

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

### The 2019/20 budget was not balanced and included a budgeted overspend of £6.6 million, agreed by partners, which was delivered

28. The IJB approved its 2019/20 budget in March 2019. The budget papers identified a funding gap of £15.4 million and savings targets of £8.8 million. This left the IJB with a budgeted overspend of £6.6 million.

29. Key elements of the savings plans related to staff and drugs costs. The savings were largely 'efficiencies' with fewer savings from 'redesign' and 'transformation'.

### The budgeted shortfall was again met by deficit-funding by the partners at the year-end resulting in a breakeven position

30. Finance reports identified that almost 95% of approved savings were delivered. There were also additional in-year pressures that needed to be managed

31. The IJBs overspend for the year, before deficit funding from the partners to achieve breakeven, was £6.6 million. This was in line with the original budget forecast and represents the lowest overspend since the IJB became operational in 2016/17 (Exhibit 4).

## Exhibit 4

### Performance against budget (excluding acute services set aside)

2019/20 represents the lowest level of overspend (before partner deficit funding)

IJB budget summary	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Final Budget	494.7	511.6	529.6	560
Budgeted overspend	0	2.1	4.5	6.6
Actual spend	504.0	520.4	538.8	566.6
Overspend (before deficit funding)	9.3	8.8	9.2	6.6

Source: Fife IJB Finance Reports and Accounts

32. Additional contributions of £4.8 million from NHS Fife and £1.8 million from Fife Council were made at year end in line with contribution proportions in the year as set out in the integration scheme.

### COVID-19 resulted in additional costs of £1.6 million in 2019/20

33. COVID-19 resulted in £1.6 million of additional costs in 2019/20. These have been fully funded by the Scottish Government.

### The IJB is not setting budgets at activity level

34. Budget setting reports have focussed on the total marginal changes in the budget: overall cost pressures; the funding increase; and savings identified. Budget setting reports do not include detail of budgets set for areas of activity nor do they identify total budgeted expenditure by constituent body.

## Recommendation 2

**Budgets should be set by the IJB at activity level in- line with strategic priorities.**

### The quality and transparency of finance reports could be improved

35. Finance reports are provided to the IJB's Finance and Performance Committee and the Board throughout the year. Financial information is provided by partner bodies and combined into a common format with forecast outturn for the year.

36. The format of reports does not always enable effective scrutiny with the use of categories such as "Social Care Other" and "Resource Transfer" obscuring the actual cost of IJB related activities.

37. Finance reports also detail additional in-year funding allocations, but it is not always clear how budgets have changed due to these additional allocations.

38. We note that there remains scope to improve the level of supporting activity information in finance reports.



### Recommendation 3

**Improve finance reports by analysing expenditure fully across services, explaining changes in budgets, and including activity information and unit costs.**

#### **The IJB needs to continue to improve how it exercises effective financial management with partners**

39. In February 2020, the Accounts Commission considered a [Controller of Audit's report on matters arising from the 2018/19 audit of Fife Integration Joint Board](#).

This noted slow progress in the IJB and clear and ongoing financial sustainability issues and underlined the critical need for strengthening of financial management and of performance reporting arrangements, as well as implementing recovery and improvement actions to address the financial pressures faced by the IJB. The responsibilities of the board itself – and thus its relationship with its partners Fife Council and NHS Fife – needed to be clearer and adhered to.

40. The Ministerial Strategic Group proposals are that each partnership move to a model where the IJB Chief Finance Officer is made responsible for the strategic and operational finance functions. We are expecting the review of the integration scheme and governance arrangements to clarify responsibilities for operational delivery and the responsibility for operational financial management that goes with that.

41. The Chief Finance Officer has initiated a review of financial management arrangements in relation to adult placements and there may be merit in undertaking reviews of the operational arrangements in other areas.

42. The extent and duration of overspends in Fife IJB mean that it has never been in a position to accumulate reserves which can then be applied to deal with pressures or invested in service redesign, for example. This places even greater focus on how the IJB exercises financial scrutiny and ensures that services within its remit are properly managed. This is whether the IJB is a “commissioner” or is responsible for “operational management”. It needs to find effective ways to reduce spend or increase funding. Partners have been able to increase the IJB funding at the year-end to match actual spends. This is only sustainable as long as partner bodies continue to experience underspends in other parts of their budgets.

43. Financial resources, from the perspective of the IJB, are notional: no money transfers between the IJB and its partners. The partners effectively bear the real financial risk, but the IJB is held accountable for the services within its remit and for transforming health and social care services as a whole. The key challenge is how the IJB can coalesce support for better financial management and transformation across health and social care.

44. A key step is for the IJB to develop how it manages overspending and activity, whether by direction to partners or by direct action within partner organisations. Principles of good financial management focus on the alignment of financial and management responsibilities. With managers who make decisions being responsible for the financial consequences. In the case of the IJB these managers are employed by and responsible directly to the two partner organisations.

45. A ‘grip and control’ arrangement has been in place for key areas of cost. This means that approval is needed from the senior management team to incur additional expenditure, such as staff recruitment and use of supplementary staffing.

46. There are five main areas where financial management is continuing to be reviewed and developed

- Setting budgets at activity level (paragraph 34) should help ensure that resources are properly aligned with priorities and mean that the sustainability of services is considered more explicitly.
- The 2020/21 budget process removed an assumed budget deficit, but it does contain increased savings expectations (paragraph 48)
- A revised MTFS has been developed but will need updating due to the impact of Covid 19 (paragraph 48)
- The IJB's Chief Finance Officer has initiated a review of financial management arrangements over Adult Placements
- The IJB is considering recruiting a deputy finance officer to assist in financial management.

47. We will review operational financial management arrangements further in 2020/21.



#### Recommendation 4

**Consider the need for more detailed review of financial management arrangements in areas of service overspend.**

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#### **A new medium-term financial strategy was developed and a balanced budget set for 2020/21, with increased savings targets**

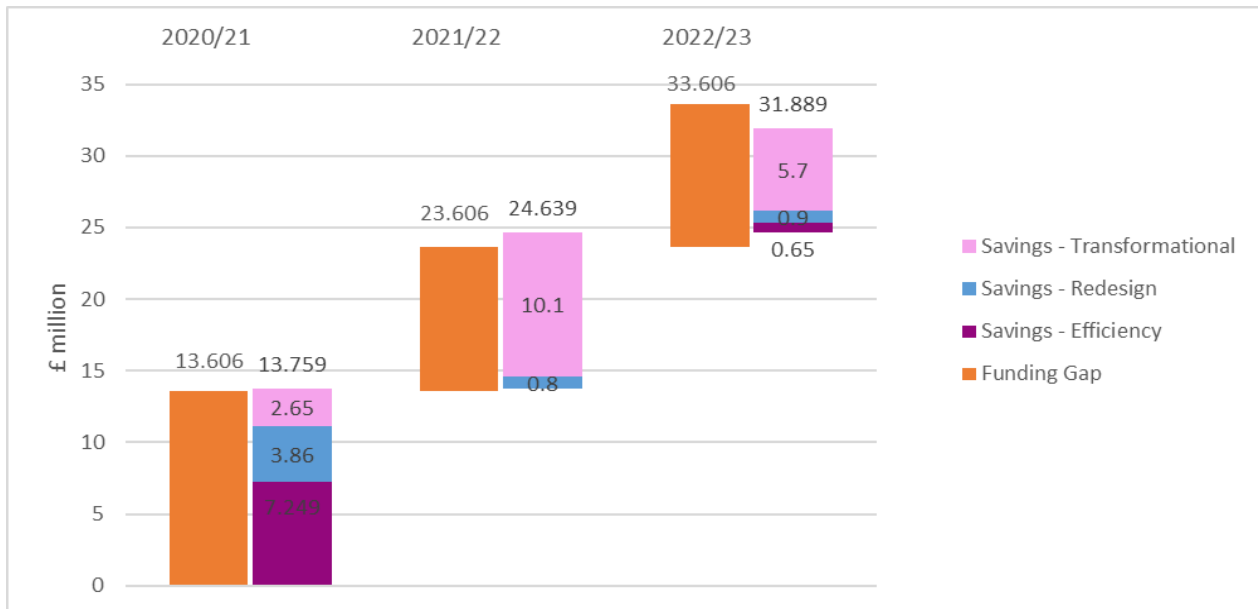
48. The 2020/21 budget along with a new Medium term financial strategy (MTFS) were due to be approved by the IJB on 27 March 2020. The Covid 19 pandemic meant that the planned IJB meeting was cancelled and the budget and MTFS were approved on a holding basis under delegated arrangements before being considered by the IJB at its meeting in June 2020.

49. The budget for 2020/21 identified a funding gap of £13.6 million and savings targets of £13.8 million. Over the medium-term (next three years) cumulative funding gaps are almost £34 million and the MTFS identifies savings initiatives to largely meet this, as shown in Exhibit 5. However, some savings plans are not particularly detailed at this stage.

## Exhibit 5

### Medium Term Financial Strategy – funding gaps and savings plans

The budget gap is expected to increase by £10m in 2021/22 and again in 2022/23



Source: Analysis of IJB MTFS

50. The development of the new MTFS and the setting of a balance budget represent good progress with planning future financial sustainability. Savings from transformation are increasingly important.



### Recommendation 5

**Detailed plans should be developed for the delivery of the redesign and transformation initiatives in the Medium Term Financial Strategy.**

**Covid 19 has led to additional financial pressures in 2020/21 with over 40% of budgeted savings for 2020/21 now in doubt.**

51. The Finance report to the end of August 2020 identifies significant slippage in the delivery of savings along with increased costs associated with Covid-19. Additional funding from the Scottish Government is expected to cover increased costs, but it is not clear if it will mitigate slippage in savings delivery.

52. Of the £14 million savings target in the 2020/21, £6 million (43%) are marked as “Red” or “Amber” in the August Finance Report 2020 and may not be delivered. Many of the savings that are now in doubt relate to service redesign and transformation initiatives, a number of which were expected to yield additional savings in 2021/22 and later years.

53. The delivery of transformation initiatives at the same time as remobilising services and dealing with the ongoing impact of Covid 19 will be challenging for the IJB and its partner bodies. Savings initiatives identified in 2021/22 and beyond may be impacted.

54. The MTFS has not yet been updated to reflect the impact of Covid-19 over the medium term.



## Recommendation 6

### Update the MTFS to take account of the impact of Covid 19.

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#### Acute set-aside budget

55. The amount set aside for the cost of delegated services provided in large hospitals is identified and included in the IJB budget. However, large hospital services are managed by NHS Fife and any under or overspend is currently borne by them, although this is not the policy intention of the Scottish Government. The intention is for the pattern of consumption of large hospital services associated with the emergency care pathway to be transparent so that the impact of health and social care integration can be managed across the system.

56. In 2019/20 there was an overspend on the large hospital services of £5 million.

#### The host bodies have sound systems of internal control in place

57. The IJB does not have any financial systems of its own, instead it relies upon the financial systems of the host bodies to record all transactions.

58. As part of our audit approach we sought assurances from the external auditor of NHS Fife and Fife Council and confirmed there were no significant weaknesses in the systems of internal controls for the health board and the council.

#### The host bodies have appropriate arrangements for the prevention and detection of fraud and error

59. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partnership bodies. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. The IJB uses the financial systems of NHS Fife and Fife Council and so anti-fraud arrangements are the responsibility of these organisations. We have received assurances from the auditors of NHS Fife and Fife Council and have no issues to bring to your attention.

# Part 3

## Governance, transparency and best value



### Main judgements

The IJB has been working to clarify roles and responsibilities and a review of governance arrangements is ongoing.



Review of the integration scheme has been delayed due to Covid-19.

It is likely that transformation plans will need to be reviewed and revised due to Covid-19

A refreshed performance management framework is in place, but performance reporting could be improved.

Two Fife initiatives have been identified as emergent good practice by Health and Social Care Scotland.

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

### The IJB has been working to clarify roles and responsibilities and a review of governance arrangements is ongoing

60. Our annual reports in previous years have highlighted the need for greater clarity of roles and responsibilities between the IJB and its partner bodies. The Accounts Commission echoed the need for clearer roles in their findings on the section 102 report in [February 2020](#).

61. The IJB has been working with the Scottish Government's director of health and social care integration and this includes development sessions for members and officers on governance.

62. A review of the wider governance framework including the committee structure has been delayed due to Covid-19 and is ongoing alongside the review of the integration scheme. We understand that new arrangements will be simplified and streamlined and that responsibilities for operational management will be clearer.



### Recommendation 7

**Ensure that the revised governance arrangements are clear on operational management responsibilities.**

### Review of the integration scheme has been delayed due to Covid-19

63. Councils and their partner health boards have a statutory duty under the Public Bodies (Joint Working) (Scotland) Act 2014 to review their Integration Scheme



under which they operate every five years. The current Integration Scheme was due to be reviewed by March 2020. Fife IJB has set a revised timetable due to Covid-19 and the review is due to be completed in time for implementation from 1 April 2021.



### Recommendation 8

**The updated Integration Scheme should be approved and submitted to the Scottish Government by 31 March 2021.**

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### **It is likely that transformation plans will need to be reviewed and revised due to Covid-19**

64. An Integrated Transformation Board was created during 2019/20. The transformation board is chaired by both the Local Authority Chief Executive and the NHS Fife Chief Executive. The IJB Chief Officer is also a member of the transformation board.

65. Delivery of transformation has been impacted by Covid-19. Management is focussed on dealing with the ongoing pandemic and its likely that transformation plans will need to be reviewed and revised. However, the importance of transformation to sustainability in the medium to longer term mean that it needs to be considered alongside or as part of remobilisation plans.



### Recommendation 9

**Ensure that transformation initiatives are reviewed and revised to reflect the impact of Covid-19**

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### **IJB Governance arrangements changed in response to Covid 19**

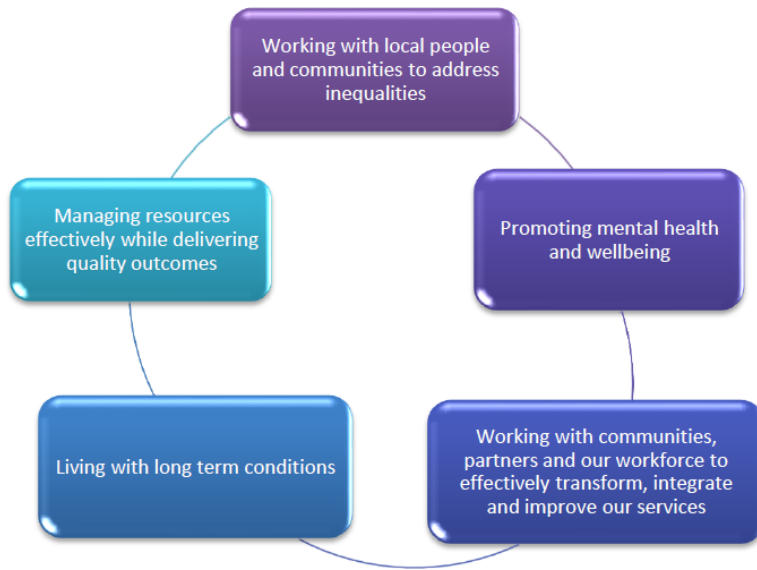
66. The IJB was stood down in March with the onset of the Covid 19. The meetings scheduled for the 27 March and 24 April were cancelled. Subsequent meetings have been held virtually.

### **A new three-year strategic plan was approved in September 2019**

67. A new three-year strategic plan was approved in September 2019 covering the period to 2022. The strategic plan identifies five strategic priorities (Exhibit 6).

## Exhibit 6

### Fife IJB Strategic Priorities



Source: Analysis of IJB Finance Reports

68. A new mental health strategy “Lets really raise the bar” was also approved in February 2020. The strategy includes a commitment to personalisation of care and emphasises the need to build capacity within communities to reduce the reliance on hospital beds.

### **A refreshed performance management framework is in place, but performance reporting could be improved.**

69. A refreshed performance management framework was approved by the IJB in December 2019 and performance reports are reviewed by the IJB’s Finance and Performance Committee throughout the year.

70. Performance reports include a lot of information and the executive summaries would benefit from clearer summaries and conclusions on performance.

71. The routine performance reports to the IJB include a range of indicators:

- 6 Ministerial Strategic Group National Outcome indicators
- 12 Local performance indicators
- 4 LDP Standards
- 3 areas of management information, including sickness absence levels.

72. It is not clear whether performance against these standards has improved over 2019/20 as they are not included in the annual performance report. However, the performance report to the end of September 2020 shows 39% of indicators included as considerably below standard or target.

### **The availability of national performance data has been affected by Covid-19**

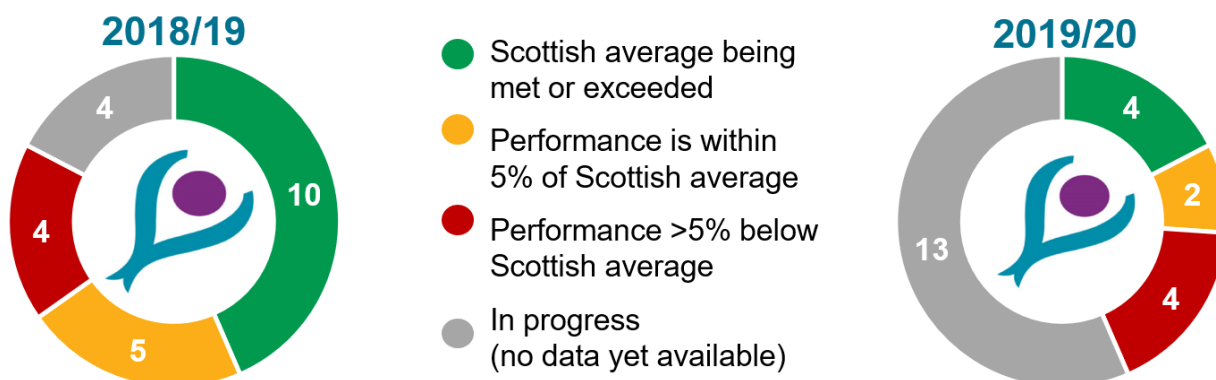
73. The annual performance report was approved by the IJB at its September meeting. The report includes the Core National Integration Indicators but, as noted above, none of the IJB’s local indicators. A summary of performance on the core

integration indicators is included at Exhibit 7. As data has been delayed due to Covid-19, it's not clear yet whether performance against these measures has improved on last year, relative to the rest of Scotland.

## Exhibit 7

### Performance against core suite of integration indicators

It's not yet clear whether performance is improving, relative to the rest of Scotland



Source: Fife IJB performance reports and Public Health Scotland release September 2020

Note: Current data is not available for indicators 1-9 (2019/20 Health and Care Experience Survey results) as a result of Scottish Government staff redeployment for COVID-19 work.

74. The four core suite integration indicators that are more than 5% below the Scottish average are:

- Emergency admission rate (per 100,000 population) (Fife 13,500, Scottish average 12,616)
- Emergency readmissions to hospital within 28 days of discharge (rate per 1,000 discharges) (Fife 114, Scottish average 105)
- Falls rate per 1,000 population aged 65+ (Fife 26.5, Scottish average 22.5)
- Percentage of adults with intensive care needs receiving care at home (Fife 55.4%, Scottish average 62.1%)

75. The annual performance report does not provide a commentary on these performance indicators and the indicators do not form part of the routine performance monitoring reports to the IJB.

76. The annual report includes narrative on key management initiatives but little analysis of performance indicators. For example, under the Mental Health priority, the annual report highlights: work to de-stigmatise mental health; suicide prevention initiatives and improving physical health for people with mental ill health. However, there is no coverage of performance against targets on waiting times, for example.



### Recommendation 10

**Improve performance reports through the inclusion of concise summaries and clearer conclusions.**

## Two Fife initiatives have been identified as emergent good practice by Health and Social Care Scotland.

77. Health and Social Care Scotland's [Framework For Community Health and Social Care Integration](#) was developed in response to the Ministerial Strategic Group [Review of Progress](#) published in February 2019.

78. The Framework includes the identification of emergent good practice under three areas:

- [Promoting healthy, independent living](#)
- Improving outcomes by [working more effectively](#)
- [Making services more accessible and responsive](#).

79. Each of the emergent good practice themes includes good practice case studies from across Scotland. Fife has two initiatives identified under the accessible and responsive services theme:

- Fife – High Health Gain – assessing the right professional at the right time by adopting a first point of contact. The initiative seeks to proactively identify people at risk of heavy or increasing use of health services and then provide additional support to achieve 'high health gain' to keep them well and at home, reducing their need for hospitalisation.
- Fife - Short term Assessment and Reablement – embedding reablement approaches. An approach to enable Older People to continue to live in their own homes and reduce reliance on hospital based care for people who could have their care needs safely met in assessment and Short Term Assessment and Reablement (STAR) beds.

80. The emergent good practice case studies represent a useful resource and the IJB may find it useful to consider progress in each of the areas identified. The working more effectively theme, for example, includes numerous examples of multi-disciplinary team working an area where Fife has made some progress but where further opportunities will no doubt exist.



### Recommendation 11

**Undertake a review of the emergent good practice identified by Health and Social Care Scotland and assess the suitability of initiatives for Fife.**

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# Appendix 1

## Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Accounting for income from clients</b></p> <p>There is inconsistency in how income from clients is accounted for and some amounts credit to NHS income codes should have been brought to account.</p> <p><b>Risk</b></p> <p>Failure to account for partner body income and expenditure consistently could undermine the usefulness of the accounts.</p>	<p><b>Ensure that the revised integration scheme covers the treatment of income for accounting purposes and the accounts are consistent with the integration scheme.</b></p>	<p>Accounting principles have been updated.</p> <p>Review to be carried out with both partners with a view to reporting on a consistent basis for 2020-21.</p> <p>Consideration to be given to providing clarity of treatment within the Integration Scheme.</p> <p>Chief Finance Officer</p> <p>March 2021</p>
2	<p><b>Budget setting</b></p> <p>The IJB is not setting budgets at service level.</p> <p><b>Risk</b></p> <p>That budgets set are not in line with strategic priorities.</p>	<p><b>Budgets should be set by the IJB at activity level in line with strategic priorities.</b></p>	<p>Work under development to produce directions to both Partner organisations that provide budget and activity information at service level when the budget is approved by the IJB.</p> <p>Chief Finance Officer</p> <p>April 2021</p>
3	<p><b>Finance reports</b></p> <p>There is scope to improve the quality and transparency of budget reports.</p> <p><b>Risk</b></p> <p>Effectiveness of scrutiny is reduced if sufficient relevant information is not provided on a timely basis.</p>	<p><b>Improve finance reports by analysing expenditure fully across services, explaining changes in budgets, and including activity information and unit costs.</b></p>	<p>There will be work taken forward with both partner organisations to provide further fit for purpose information to the Finance and Performance committee.</p> <p>Additional information will be provided in future finance reports to ensure a clear audit trail of additional budgets.</p> <p>Chief Finance Officer</p> <p>April 2021</p>

4	<b>Operational financial management</b>	<b>Consider the need for more detailed review of financial management arrangements in areas of service overspend.</b>	<p>Work has already begun in this area. A commitment has been given to consider areas at most risk at future meetings of the Finance and Performance Committee.</p>
	<p>It is unclear whether any underlying issues with financial management at an operational level are being addressed.</p>		<p>A process of escalation is being developed which adds a further level of decision making and approval where spend has exceeded budget.</p>
	<b>Risk</b>		<p>Chief Finance Officer</p>
	<p>The current grip and control approach to constraining expenditure may mean that underlying financial management issues are not being addressed.</p>		<p>March 2021</p>
5	<b>Savings plans</b>	<b>Detailed plans should be developed for the delivery of the redesign and transformation initiatives in the Medium Term Financial Strategy.</b>	<p>Project Initiation Documents (PIDS) to be developed that provide clarity over the medium- term.</p>
	<p>It is not always clear what the arrangements are for the delivery of redesign and transformation savings are.</p>		<p>There is also an opportunity to review the MTFS given the impact of Covid and the advances made in terms of digital platforms.</p>
	<b>Risk</b>		<p>Chief Finance Officer</p>
	<p>That savings identified are not deliverable.</p>		<p>March 2021</p>
6	<b>Medium Term Financial Strategy</b>	<b>Update the MTFS to take account of the impact of Covid 19.</b>	<p>As per no 5 above Chief Finance Officer March 2021</p>
	<p>Delivery of the MTFS has been impacted by Covid 19.</p>		
	<b>Risk</b>		
	<p>That the MTFS is no longer appropriate.</p>		
7	<b>Governance arrangements</b>	<b>Ensure that the revised governance arrangements are clear on operational management responsibilities.</b>	<p>This will be addressed under the review of the Integration Scheme Chief Officer March 2021</p>
	<p>The need for clearer roles and responsibilities between the IJB and its partner bodies has been highlighted and a review is underway.</p>		
	<b>Risk</b>		
	<p>Failure to clarify arrangements in relation to operational management may impact on service delivery.</p>		
8	<b>Revised Integration Scheme</b>	<b>The updated Integration Scheme should be approved and submitted to the Scottish Government by 31 March 2021.</b>	<p>Agreed. Work is ongoing to achieve this deadline Chief Officer in conjunction with Fife Council and NHS Fife March 2021</p>
	<p>Revised integration schemes were originally due to be agreed and submitted to the Scottish Government by 31 March 2020 but have been delayed due to Covid 19.</p>		
	<p><b>Risk</b> Delay of the integration scheme may delay</p>		

improvement of governance arrangements.

9	<p><b>Transformation plans</b></p> <p>Delivery of transformation has been impacted by Covid 19.</p> <p><b>Risk</b></p> <p>Failure to deliver transformation could impact sustainability.</p>	<p><b>Ensure that transformation initiatives are reviewed and revised to reflect the impact of Covid-19</b></p>	<p>Agreed. Will be addressed as part of the review and updating of the Medium Term Financial Strategy.</p> <p>Chief Finance Officer</p> <p>March 2021</p>
10	<p><b>Performance reporting</b></p> <p>Performance reporting would benefit from more effective use of indicators with clearer conclusions in relation to continuous improvement and value for money.</p> <p><b>Risk</b></p> <p>Failure to improve reports could impact the quality of scrutiny.</p>	<p><b>Improve performance reporting through the inclusion of concise summaries and clearer conclusions.</b></p>	<p>Advances made during 2020-21 with the production of an executive summary. Further improvements to be made during 2021-22 including trend analysis and benchmarking with other HSCPs</p> <p>Head of strategic planning, performance and commissioning</p> <p>March 2022</p>
11	<p><b>Emergent good practice</b></p> <p>Health and Social Care Scotland have identified examples of emergent good practice in integration against which partnerships can compare their own practice. No formal review has yet taken place.</p> <p><b>Risk</b></p> <p>That there are unrealised opportunities to further improve practices in Fife.</p>	<p><b>Undertake a review of the emergent good practice identified by Health and Social Care Scotland and assess the suitability of initiatives for Fife.</b></p>	<p>Review to be carried out during 2021-22</p> <p>Chief Finance Officer</p> <p>March 2022</p>

### Follow up of prior year recommendations

b/f 1	<p><b>Consistency of budgetary information</b></p>	<p>The three partners should agree and support a consistent format of the budgetary control information provided to the IJB to enable more robust monitoring to take place.</p>	<p><b>Complete</b></p> <p>Information is collated by the Chief Finance Officer into a consistent format.</p> <p>However, see recommendation 3 on finance reports above.</p>
b/f 2	<p><b>Financial sustainability</b></p>	<p>A robust recovery plan is needed to address the financial pressures faced by the IJB. This should also take account of the recommendations/suggestions made in the turnaround consultant's report.</p>	<p><b>Complete</b></p> <p>A medium term financial strategy has been developed.</p> <p>However, see recommendation 6 above on the need to update the MTFs.</p>

<b>b/f 3</b> <b>Publication of unaudited accounts</b>	Unaudited accounts should be made available on the website from the date they are submitted to audit until the date the audited accounts are available.	<b>Complete</b> The unaudited accounts were available on the website from the 30 June in line with regulations.
<b>b/f 4</b> <b>Clarity of financial reporting</b>	Information provided to members should be reasonably up to date and presented in a clear and succinct way to enable effective scrutiny to take place.	<b>Ongoing</b> Finance reports have continued in the same format. Scope. Scope remains for improvement see recommendation 3 above.
<b>b/f 5</b> <b>Financial sustainability and transformation</b>	The IJB and partner bodies should review the financial position and financial sustainability of the IJB and then focus on delivering a longer-term transformation programme.	<b>Ongoing</b> MTFS developed. Integrated Transformation Board in place. However, see recommendations 5 & 9 above.
<b>b/f 6</b> <b>Review of governance arrangements</b>	The partners should agree their roles, responsibilities and authority to ensure there is no uncertainty for either members or users of the service.	<b>Ongoing</b> Development session held on governance arrangements. The review of the integrations scheme and governance arrangements has been delayed. See recommendations 7 above.
<b>b/f 7</b> <b>Transparency and openness</b>	Committee meetings should be open to the public with non-restricted papers available on the website	<b>Ongoing</b> Discussed at the IJB Audit and Risk Committee and agreed in principle. However, this is being considered further as part of the ongoing governance review. <b>To be concluded by March 2021</b>
<b>b/f 8</b> <b>Best Value</b>	The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.	<b>Outstanding</b> A refreshed performance management framework was agreed December 2019. The annual performance report makes reference to best value but does not demonstrate value for money and continuous improvement. See recommendation 10 above.



**b/f 9 Annual performance report**

The annual report should be made available within four months of the year end and the information provided in both the body and appendices should be reviewed.

**Ongoing**

The report was not published until the end of September 2020 due to Covid-19.

The report does not include all the performance indicators routinely reported to the IJB Finance and Performance Committee.

See recommendation 10 Above.

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# 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
<b>Risks of material misstatement in the financial statements</b>		
<p>1 <b>Risk of material misstatement caused by management override of controls</b></p> <p>Auditing Standards (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>Agreement of balances and transactions to Fife Council and NHS Fife financial reports / ledger / correspondence.</p> <p>Service auditor assurances will be obtained from the auditors of Fife Council and NHS Fife over the completeness, accuracy and allocation of income and expenditure.</p>	<p>The partner body auditors provided assurances on the accuracy and completeness of the financial reports used to prepare the accounts.</p> <p>We agreed the consolidation schedule to financial reports from partners and to underlying accounting records.</p> <p>We tested a sample of significant year-end adjustments and no issues were identified.</p> <p>The financial position was supported by reporting during the year.</p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p>2 <b>Financial management and sustainability</b></p> <p>There is a forecast overspend on IJB activities in 2019/20. With latest projections indicating that expenditure will be £3.5m in excess of that budgeted (on top of the approved overspend of £6.6m).</p> <p>We reported on financial sustainability in our annual audit report in 2018/19.</p> <p>There are ongoing discussions between partner bodies about the risk share proportions to be used to meet overspends in 2019/20.</p>	<p>Review the medium term financial strategy.</p> <p>Review the budget setting process.</p> <p>Investigate the areas of overspend in 2019/20 to identify the underlying reasons and opportunities for improving financial management at partner bodies.</p> <p>Review contributions by partner bodies to meet any final overspend amount and ensure that they are in line with the integration agreement.</p>	<p>The 2019/20 outturn was in line with budget with an overspend of £6.6m prior to additional contributions from partners in line with the integration agreement.</p> <p>A MTFS was developed and a balanced budget was set for 2020/21.</p> <p>Covid 19 has impacted savings delivery in 2020/21 and the delivery of transformation which will impact future years.</p> <p>Opportunities to improve financial management have been identified in the body of this report.</p> <p>Our work in relation to areas of overspend is ongoing and we will report further in 2020/21.</p>



# Appendix 4

## Summary of national performance reports 2019/20



**2019/20  
Reports**

		Apr	
Social security: Implementing the devolved powers		<b>May</b>	
Scotland's colleges 2019		<b>Jun</b>	Enabling digital government
		Jul	
NHS workforce planning - part 2		<b>Aug</b>	
Finances of Scottish universities		<b>Sept</b>	
NHS in Scotland 2019		<b>Oct</b>	
		Nov	
Local government in Scotland: Financial overview 2018/19		<b>Dec</b>	
Scotland's City Region and Growth Deals		<b>Jan</b>	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		<b>Mar</b>	Early learning and childcare: follow-up

# Fife Fife Integration Joint Board

## 2019/20 Annual Audit Report

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