

# Inverclyde Integration Joint Board

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Inverclyde Integration Joint Board and the Controller of Audit

November 2021

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# Key messages

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## 2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts of the IJB are unmodified.
- 2 The Covid-19 pandemic had an impact on the timing of assurances provided by partner bodies
- 3 An error in the set-aside amount of £4 million has been corrected in the audited accounts. There is no net effect on the outturn as this is fully funded by NHS GG&C

## Financial management and sustainability

- 4 The IJB budget is generally delayed by NHS GG&C though indicative budgets are agreed
- 5 Additional funding and an underspend on core activities resulted in a surplus of £6.5 million in 2020/21, with the majority of savings delivered.
- 6 A £0.5 million overspend is currently forecast for 2021/22 with additional Covid-19 costs fully funded.
- 7 The IJB has a medium-term financial plan

## Governance, Transparency and Best Value

- 8 There was a rapid response to the pandemic and Strategic Plan priorities have been revised.
- 9 Management changes in the IJB have been significant.
- 10 Review of the integration scheme has been delayed.

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# Introduction

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1. This report summarises the findings from our 2020/21 audit of Inverclyde 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 22 January 2021. This report comprises the findings from:
  - an audit of the IJB's 2020/21 annual accounts
  - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).
3. The global coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. This has had significant implications for the way services have been provided with increased costs and unachieved savings due to delayed efficiency and redesign initiatives. There has been significant additional funding provided by the Scottish Government and additional contributions to the IJB budget by NHS Greater Glasgow and Clyde (NHSGGC) towards the end of the year.

## Adding value through the audit

4. We aim to add value to the IJB, through our audit, by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations
  - sharing intelligence and good practice through our national reports (Appendix 3) and good practice guides
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Responsibilities and reporting

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 also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. As public sector auditors, we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of

corporate governance arrangements, and the financial position and arrangements for securing financial sustainability.

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

**8.** Further details of the respective responsibilities of management and the auditor can be found in the Code of Audit Practice and supplementary guidance.

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

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

## Auditor Independence

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

**12.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £27,330, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**13.** This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

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# 1. Audit of annual accounts

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

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## Key messages

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

The Covid-19 pandemic had an impact on the timing of assurances provided by partner bodies.

An error in the set-aside amount of £4 million has been corrected in the audited accounts. There is no net effect on the outturn as this is fully funded by NHSGG&C.

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## Our audit opinions on the annual accounts are unmodified

**14.** The annual accounts for the year ended 31 March 2021 were approved by the IJB on 29 November 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- the audited part of the Remuneration Report, Management Commentary, and Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

## The Covid-19 pandemic had an impact on the timing of assurances provided by partner bodies

**15.** The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were affected by the Covid-19 pandemic. In particular, partner bodies' auditors provided assurances later, due to delays in those audits.

**16.** We received a good level of support from the finance staff of the IJB and its constituent bodies during our audit.

## Overall materiality is £2 million

**17.** 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.

18. Our initial assessment of materiality was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

## Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£2 million
Performance materiality	£1.5 million
Reporting threshold	£60,000

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

19. [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 on the annual accounts

20. 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 Inverclyde IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. The significant findings on the annual accounts are summarised in [Exhibit 2](#).

## Exhibit 2 Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Set aside</b></p> <p>There was an error in the Set Aside calculation for both 20/21 and 19/20. The error arose because incorrect figures for Inverclyde HSCP bed days were used in the calculation by NHSGGC. The expenditure is matched by an equivalent funding contribution so there is no net impact on the IJB's outturn or on accumulated reserves and NHS GGC is responsible for managing any overspends on the set-aside budget.</p>	<p>The audited accounts were amended to reflect the correct set aside. To reflect this correction the IJB has:</p> <ul style="list-style-type: none"> <li>Restated 2019/20 from £23.635m to £28.389m</li> <li>Corrected 2020/21 from £28.177m to £32.276m</li> </ul> <p>We received assurances from the auditor of NHS Greater Glasgow and Clyde that the set aside figures in the</p>

Issue	Resolution
	IJB accounts had been reviewed for the purposes of the NHSGGC audit and confirmed that they agreed to the corresponding amounts in the NHSGGC financial statements.

## Identified misstatements of £4.5 million were adjusted in the annual accounts

**21.** Total misstatements identified were £4.5 million. We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systematic error. One error related to set aside (see [Exhibit 2](#)) which does not indicate wider issues in the accounts. We have confirmed the revised approach and values with NHS GG&C auditors and did not require to undertake further audit procedures.

**22.** The other error related to the £500 bonus payment to social care workers. This was incorrectly included in 2020/21. We have confirmed the revised treatment with the Inverclyde Council auditors. It did not indicate wider issues and no further audit procedures were required.

## Limited progress was made on prior year recommendations

**23.** The IJB has made limited progress in implementing our prior year audit recommendations. Two out of five recommendations have been implemented. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).



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## 2. Financial management and sustainability

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

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### Key messages

The IJB budget is generally delayed by NHS GG&C though indicative budgets are agreed

Additional funding and an underspend on core activities resulted in a surplus of £6.5 million in 2020/21, with the majority of savings delivered.

A £0.5 million overspend is currently forecast for 2021/22 with additional Covid-19 costs fully funded.

Set Aside has not been working well and an Unscheduled Care Improvement Programme is being developed to address this

The IJB has a medium-term financial plan

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### **The IJB did not approve its 2020/21 budget until NHSGG&C financial plan was approved, but an indicative budget was agreed in March 2020**

**24.** The 2020/21 budget was not formally approved before the financial year due to funding from NHSGGC not being confirmed until their 2020/21 financial plan had been finalised. Delegated authority was provided to the Chief Officer to accept the funding offers outlined in the indicative budget from both the Council and Health Board. The budget was set at £168 million with agreed savings of £1 million. This was broadly in line with the indicative budget agreed in March 2020.

### **Additional funding and an underspend on core activities, resulted in a surplus of £6.5 million in 2020/21**

**25.** The IJB received £10.7 million of additional funding for Covid-19, of which £3.3 million is unspent and has been carried forward in earmarked reserves.

**26.** The IJB also underspent on core activities by £3.2 million contributing to the total surplus of £6.5 million in the year. The majority of this was in Health services where there has been a delay in filling vacancies, leading to non-recurrent savings, as well as Alcohol and Drugs Partnership funding received but unspent at the year end.

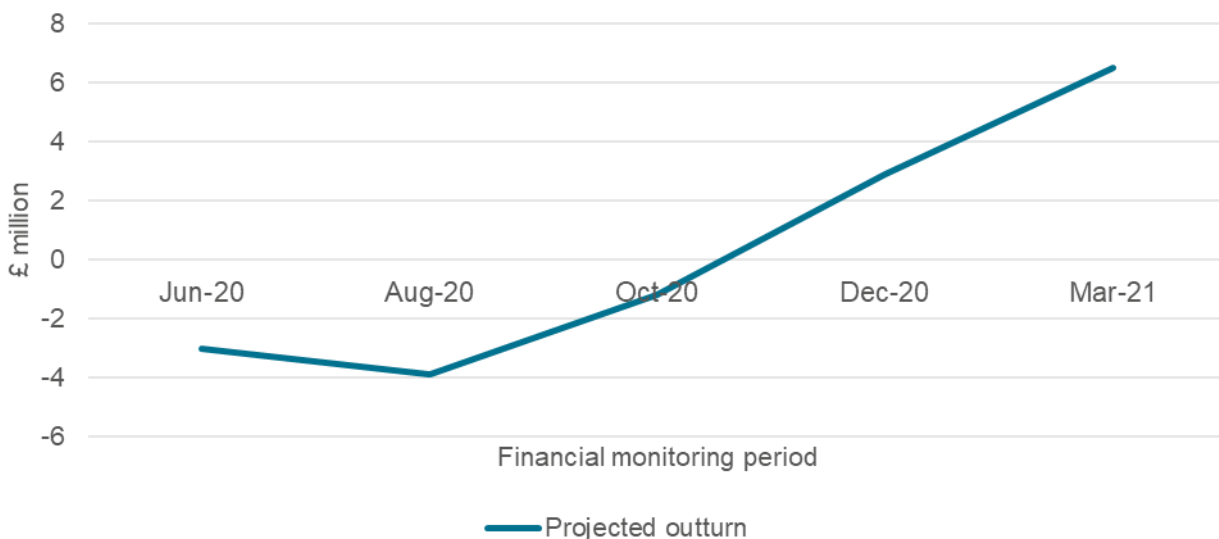
**27.** Savings of £0.97 million (97 per cent) were delivered.

### The outturn underspend developed through the year and as additional Covid funding was awarded

**28.** The projected underspend increased during the year as further Covid funding was confirmed ([Exhibit 3](#)). £6.9 million of Covid funding had been confirmed by the October report, with the remaining £3.8 million confirmed thereafter.

#### Exhibit 3

##### Reporting of the projected year-end outturn 2020/21



Source: Inverclyde IJB Monitoring reports

### In 2021/22, NHS GG&C has delayed the finalisation of the IJB budget

**29.** The IJB had not finalised its budget before the start of 2021/22 due to delays in the NHS confirming the formal funding offer. However, an indicative budget was agreed with additional savings of £0.6 million.

**30.** In March 2021, the IJB approved an indicative budget of £175 million. The funding offer from the Health Board is anticipated to be in-line with the interim budget offer made in March. However, a revised offer following the finalised 2020/21 outturn has not yet been confirmed.

**31.** The indicative budget includes estimated cost pressures of £2.3 million in Social Care and £1.3 million in Health Care. These pressures are to be met by increased funding and efficiency proposals from the council (£2.3 million), health funding uplift of 1.5% for all recurring budgets and assumed (non-recurrent) staffing turnover of £0.4 million.

### **A £0.5 million core overspend is forecast for 2021/22 with additional Covid-19 costs fully funded**

**32.** The financial monitoring report to the end of August 2021 is forecasting a £0.5 million overspend on core activities for 2021/22. The Local Mobilisation Plan for the first quarter of 2021/22 identifies covid-19 costs of £6.6 million (£5.3m Social Care and £1.3m Health). The IJB expects these costs to be fully funded from a combination of Scottish Government funding and the existing £2.9 million Covid-19 Earmarked Reserve carried forward from last year.

### **Total reserves are £15 million, with most of this earmarked**

**33.** During 2020/21, £4.4 million of Earmarked Reserves were used and an additional £10.9 million was transferred in. No balances from the General Reserve were used meaning a net increase of £6.5 million in reserves over the year. This has resulted in an overall accumulated reserves balance of £14.9 million.

**34.** Several new earmarked reserves were created in 2020/21 for Covid-19 and existing projects and commitments. The reserve balance includes £0.7 million (0.5% of net expenditure) in unearmarked reserves to meet unforeseen contingencies.

### **The Set Aside budget has not been working well nationally**

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

**36.** A draft Unscheduled Care Commissioning Plan was presented to the board in June 2020 which included the development of a financial framework for the six IJB’s within NHS GG&C. An update report by the Chief Officer to the Board in September 2021 noted that since publication of the original draft, unscheduled care services have changed as a result of the pandemic, including a national redesign of urgent care.

**37.** As part of a wider commissioning strategy, a refreshed NHS GG&C Unscheduled Care Improvement Programme is currently being prepared which will include a financial framework to support the release of resources to primary care and community services.

## **The IJB has a medium-term financial plan**

**38.** An updated Financial Plan 2021/22 to 2025/26 was agreed by the Board in March 2021 which aligns to the five-year Strategic Plan.

**39.** A detailed analysis of costs and demands is included and scenario planning (looking at a range of options around each assumption to establish best case, worst case, and probable outcomes). Taking into account costs, demands and estimated changes to funding using the five-year outlook for the Scottish budget, the Financial Plan estimates a funding shortfall of £7.3 million over the period 2021/22 to 2025/26. The medium-term financial plan has been updated to take into account the anticipated continued impact of Covid-19.

**40.** The IJB is required to make efficiency savings to maintain financial balance. The five-year financial plan includes savings targets of £2.6 million in 2022/23 and £7.3 million cumulative savings by 2025/26. Savings options are being developed for 2022/23 to address this.

## **The host bodies have sound systems of internal control**

**41.** 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.

**42.** As part of our audit approach, we sought assurances from the external auditor of NHS GGC and Inverclyde Council (in accordance with ISA 402) and confirmed there were no significant weaknesses in the systems of internal controls for both the health board and the Council.

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

**43.** The IJB uses the financial systems of Inverclyde Council and NHS Greater Glasgow and Clyde (NHS GGC) and so arrangements for the prevention and detection of fraud, bribery, and corruption in respect of the financial systems is the responsibility of these organisations. We have received assurances from the auditors of NHS GGC and Inverclyde Council (in accordance with ISA 402) that there are no issues of concern.

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

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

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

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# 3. Governance, transparency, and Best Value

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

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## Key messages

Good governance arrangements have been maintained.

There was a rapid response to the pandemic and Strategic Plan priorities have been revised.

Management changes in the IJB have been significant.

Review of the integration scheme has been delayed.

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## Good governance arrangements have been maintained

**46.** Inverclyde IJB made changes to its governance arrangements in response to the pandemic. The IJB approved and initiated temporary decision-making arrangements. The temporary arrangements have remained in place throughout the year and have been subject to ongoing review. Under these arrangements, authority is delegated, if required to meet immediate operational demand, to the Chief Officer and the Chief Financial Officer in consultation with the Chair and Vice Chair of the IJB.

## There was a rapid response to the pandemic

**47.** The health and social care partnership engaged with the Scottish Government and produced a local mobilisation plan in March 2020. The Plan included cost estimates for purchase of additional care home beds, additional staffing, and additional equipment. Emergency, complex, and critical support continued to be delivered across all key areas.

**48.** The HSCP moved from a normal operating model to service hubs in response to the combined increased demand for services and decrease in availability of staff to provide those services. Some areas of service were impacted. A number of Day services, for example, were suspended and affected staff redeployed.

## **Management changes in the IJB have been significant**

**49.** The IJB's previous Chief Officer took up the post of Chief Executive of Inverclyde Council in September 2021. An interim Chief Officer was appointed from 31 August 2021 pending the appointment of a permanent successor.

**50.** The Chief Financial Officer also departed the IJB in March 2021 and an Interim CFO was appointed in May 2021 to cover the period until a replacement was permanently recruited. The new CFO took up post on 12 July 2021.

## **Review of the Integration Scheme continues to be delayed**

**51.** We reported last year that the Covid-19 pandemic led to approval of the updated Integration Scheme being delayed and the existing scheme has been rolled forward into 2020/21.

**52.** Currently a legislative issue is being resolved by Scottish Government. Once this is resolved it is anticipated that the six IJBs (associated with NHS Glasgow and Clyde) with their Council and Health Board Partners will be able to approve and submit the updated Integration Schemes to Scottish Government. This matter has been disclosed in the Governance Statement in the IJB's annual accounts.

## **The social care finance function was transferred from the Council to IJB**

**53.** In February 2019, the Ministerial Strategic Group for health and community care published 'a review of progress with the integration of health and social care'. The report made 25 recommendations, and this included that each partnership area moves to a model where both the strategic and operational finance functions are undertaken by the IJB S95 officer and that these functions are sufficiently resourced to provide effective financial support to the Chief Officer and the IJB.

**54.** Inverclyde has opted to transfer the council social care finance staff to the IJB so that the line management and day to day operational activity fall within the remit of the IJB chief finance officer.

## **Strategic Plan priorities have been revised**

**55.** The Strategic Plan (2019-24) and Big 6 Actions outlined the commitments of the HSCP to achieve a programme of transformational change and how this would be delivered.

**56.** Due to the pandemic, officers within the HSCP reviewed the existing Strategic Plan priorities and agreed a revised priority list to reflect new Covid 19 related themes; the need for recovery and to reflect the deliverability of existing priorities in the midst of a pandemic. Twenty-nine key priorities were identified for 20/21 and beyond, agreed by the Strategic Planning Group, which covered a number of new priorities.

**57.** The Year 2 Strategic Plan Report identifies progress against these 29 key priorities (now referred to as the HSCP Transition Strategic Plan) mapped against each of the Big 6 Actions.

**58.** Progress will continue to be monitored against this Transition Strategic Plan throughout 2021/22 with quarterly reporting to the Strategic Planning Group.

### **Formal review of Best Value is now undertaken annually**

**59.** We recommended last year that the IJB should formally agree a mechanism for undertaking a periodic and evidenced formal review of how it is achieving best value to be reported through the Annual Performance Report. In response, officers agreed that the IJB's Best Value Statement would now be reported to the Audit Committee to ensure full oversight and governance is in place.

**60.** The 2020/21 Best Value Statement was reviewed and agreed at the IJB meeting on 29 March 2021 with review to be undertaken annually thereafter. The statement considers Inverclyde's position in relation to 10 key Audit Scotland Best Value prompts. Based on this and appropriate reliance on the Best Value arrangements in the Council and Health Board, no additional action was required by the IJB at this time over and above the actions already taking place as detailed in the statement.

### **The IJB has an agreed performance management framework and performance relative to others is good**

**61.** Regular performance information is produced for the board and its committees. Ad hoc reports are also brought on areas of service delivery where improvements are needed. An annual performance report is published and the report for 2020/21 was submitted to the Board in September 2021.

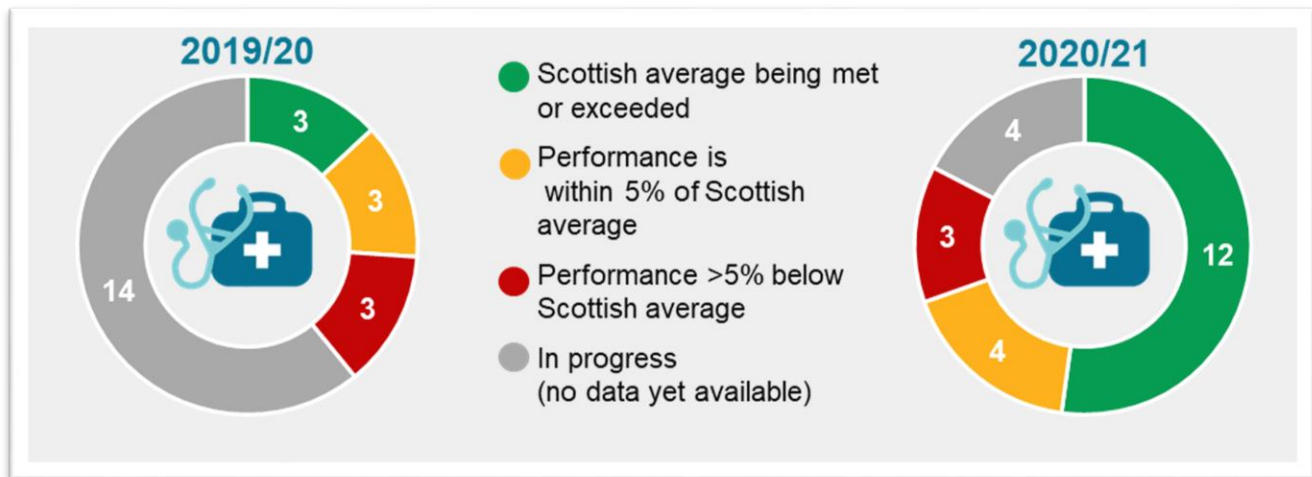
**62.** The core suite of integration indicators was published by the Scottish Government in July 2021. Although these are the latest indicators, they do not all relate to 2020/21 with survey results for example relating to 2019/20. Inverclyde's performance compared to the Scottish average has improved with only three indicators more than 5% below average and twelve at or above average ([Exhibit 4](#)).

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## **Exhibit 4**

### **Performance against core suite of integration indicators**

## Comparative performance on data indicators in 2020/21



Source: Inverclyde IJB Performance Report September 2021

**63.** The three indicators where Inverclyde are more than 5% below the Scottish average are: 'Premature mortality rate per 100,000 persons'; 'Emergency admission rate (per 100,000 population)'; and 'Emergency bed day rate (per 100,000 population)'.

**64.** However, 12 indicators (50%) where the Scottish average is being met or exceeded shows a strong performance overall and performance on delayed discharges is significantly better than the Scottish average.

### Locality Action Plans have been developed

**65.** Locality planning is being adopted by Inverclyde Alliance, the area's Community Planning Partnership and Inverclyde Health and Social Care Partnership. It aims to empower communities by strengthening their voices in decisions about public services.

**66.** At the beginning of 2020 the Alliance set up Communication and Engagement Groups in each of the six localities and held a number of face-to-face meetings and events. Due to the pandemic, they were unable to continue with face-to-face meetings and instead developed alternative ways of communicating and engaging with communities during 2020/21 such as Facebook, online meetings and listening events.

**67.** A Locality Action Plan has been developed for each of the six localities.

### Locality Planning Groups aim to develop further in 2021/22

**68.** The Alliance plans to work with the Communication and Engagement Groups to increase membership and support the community members of the groups. It intends to provide training and support on digital engagement and to work with the groups to take action to tackle the issues that they want to prioritise.



**69.** To date, two Locality Planning Groups have been established (Port Glasgow and Inverkip & Wemyss Bay) and last met in September 2021 with meetings scheduled quarterly.

**70.** By June 2022, an evaluation of these two groups will take place and decision made by October 2022 as to whether to extend to the other four areas (as per the current model) or consider a streamlined approach of establishing two LPGs covering East and West Inverclyde with the six CEGs continuing to meet regularly.

### **Consultation on a national care service for Scotland has closed**

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

**72.** The Scottish Government's consultation was launched on 9 August 2021 and closed on 2 November 2021. Inverclyde Council's response to the consultation was agreed by the Council on 28 October 2021. The Council's response notes that there is a need for some change but believe that the current model of delivery requires time to embed and be fully resourced with the required multiyear funding and staffing to deliver.

### **National performance audit reports**

**73.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 3](#).

**74.** During the year Audit Scotland also published a [guide for Audit and Risk Committees on COVID-19](#). Internal audit used this guide to facilitate a review of governance arrangements during the pandemic.

# Appendix 1

## Action plan 2020/21

### 2020/21 recommendations

There are no current year recommendations

### Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<b>1 Financial Plan</b>	Management should ensure that the financial plan is updated to account for the significant impact of Covid-19 on financial sustainability.	<b>Complete.</b>  The medium-term financial plan has been updated to take into account the anticipated continued impact of Covid-19.
<b>2 Savings proposals</b>	Efficiency savings plans and proposals should continue to be developed to meet anticipated savings targets	<b>Outstanding</b> Work is underway to develop savings / spend to save proposals based on estimated funding positions. In line with previous years this will be firmed up once Scottish Government public sector budgets are confirmed in December and will go to the IJB for consideration and approval between Feb and March 2022.  Chief Financial Officer  By 31 March 2022
<b>3 Integration Scheme Review</b>	The updated Integration Scheme should be approved and submitted to the Scottish Government as soon as practicable.	<b>In progress</b>  Currently a legislative issue is being resolved by Scottish Government. Once this is resolved it is anticipated that the six IJBs (associated with NHS Glasgow and Clyde) with their Council and Health Board Partners will be able to approve and submit the updated

Issue/risk	Recommendation	Agreed management action/timing
		<p>Integration Schemes to Scottish Government.</p> <p>This is currently being updated and will be revised and presented to the IJB.</p> <p>Chief Financial Officer</p> <p>By 31 March 2022</p>
<p><b>4 Implementation of Locality Planning Groups</b></p>	<p>Locality Planning Groups should be implemented to oversee the development of Locality Action Plans.</p>	<p><b>In progress</b></p> <p>Two Locality Planning Groups have been established (Port Glasgow and Inverkip &amp; Wemyss Bay) and last met in September 2021 with meetings scheduled quarterly. By June 2022, an evaluation of these two groups will take place and a decision made by October 2022 as to whether to extend to the other four areas (as per the current model) or consider a streamlined approach of establishing two LPGs covering East and West Inverclyde with the six CEGs continuing to meet regularly.</p> <p>Chief Financial Officer</p> <p>By 31 March 2023</p>
<p><b>5 Best Value</b></p>	<p>A periodic and evidenced formal review should be undertaken of how the IJB is achieving best value.</p>	<p><b>Complete</b></p> <p>The Best Value Statement is reviewed and updated by officers annually. This will now also be reported to the Audit Committee to ensure full oversight and governance is in place.</p>

# Appendix 2

## Significant audit risks identified during planning

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

### Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Agreement of balances and transactions to Inverclyde Council and NHS GG&amp;C financial reports / ledger / correspondence.</p> <p>Service auditor assurances were obtained from the auditors of Inverclyde Council and NHS GG&amp;C over the completeness, accuracy and allocation of income and expenditure.</p> <p>Review of year-end adjustments and journals</p> <p>On-going review of financial position.</p>	<p><b>Results:</b> We obtained relevant assurances from the auditors of Inverclyde Council and NHS GGC. We undertook detailed testing of journal entries.</p> <p><b>Conclusion:</b> We did not identify any incidents of management override of controls.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>2. Financial Management Medium-term financial planning</b></p> <p>Audit Scotland's Local Government in Scotland Financial Overview 2019/20 has highlighted that the impacts of COVID-19 could</p>	<p>Reviewed the updated medium-term financial strategy.</p> <p>Considered the robustness of future savings plans.</p>	<p><b>Results:</b> Financial monitoring reports were reviewed throughout the year.</p> <p>An updated Financial Plan 2021/22 to 2025/26 was agreed by the Board in March 2021.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>be significant and that medium-term financial plans will need to be revised to reflect this. The medium-term financial plan agreed by the IJB in March 2020 will require revision to account for the scale of the financial challenge posed by Covid-19.</p> <p>In addition, the IJB has not identified all anticipated savings in the medium to long-term. The IJB budget setting process will require to consider and look to address any anticipated funding gaps.</p> <p>There is a risk that financial plans do not take account of the significant impact of Covid-19 on financial sustainability and that the IJB does not generate the savings required to ensure services provided are financially sustainable.</p>	<p>Established the funding and cost impacts of COVID-19 on 2020/21 outturn.</p> <p>Considered the 2021/22 revenue budget and plans to address any funding gap.</p> <p>Monitored the IJB's achievement of planned transformation and cost saving projects.</p>	<p>The Financial Plan estimates a funding shortfall of £7.3m over the period 2021/22 to 2025/26.</p> <p>This shortfall does include the projected impact of Covid-19 on health and social care budgets. However, not all anticipated savings have been identified in the medium to long-term.</p> <p><b>Conclusion:</b> Efficiency savings plans and proposals should continue to be developed to meet anticipated savings targets.</p> <p>See prior year Recommendation 2 in Appendix 1.</p>
<p><b>3. Financial Management</b></p> <p><b>Impact of Covid-19</b></p> <p>The IJB set a balanced budget for 2020/21 but is currently projecting an overspend of £0.7m. The delivery of planned savings has been impacted by the disruption to operations caused by COVID-19.</p> <p>There is a risk that areas of recurrent overspend are masked by additional funding received in response to the pandemic.</p>	<p>Established the funding and cost impacts of COVID-19 on 2020/21 outturn.</p> <p>Considered areas of overspend in 2020/21 to identify the underlying reasons and management actions to address these.</p> <p>Reviewed financial monitoring reports.</p>	<p><b>Results:</b></p> <p>Financial monitoring reports were reviewed throughout the year.</p> <p>Agreed savings plans included income growth through charging and the loss of 5.1 FTE posts. 2020/21 savings were 95% delivered.</p> <p>The IJB received £10.7 million of additional funding for Covid-19, of which £3.3 million has been carried forward in earmarked reserves. The IJB also underspent on core activities by £3.2 million contributing to the surplus of £6.5 million in the year.</p> <p><b>Conclusion:</b> Covid-19 funding has added £3.3</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>4. Governance and Transparency</b></p> <p><b>Changes to key officers</b></p> <p>The current Chief Financial Officer (CFO) is leaving the IJB in April 2021. A revised senior management team structure within the HSCP has created a new Head of Finance, Planning &amp; Resources post who will also be the new IJB CFO.</p> <p>There is a risk surrounding financial capacity in relation to the preparation of the IJB's financial statements.</p>	<p>Continued to monitor progress made with recruitment for the vacancy.</p> <p>Assessed the financial information provided when the interim/new CFO was in post.</p>	<p>million to earmarked reserves.</p> <p><b>Results:</b></p> <p>An interim Chief Officer was appointed from 31 August 2021 pending the appointment of a permanent successor Chief Officer.</p> <p>An Interim CFO was appointed in May 2021 to cover the period until a replacement was permanently recruited. The new CFO took up post on 12 July 2021.</p> <p><b>Conclusion:</b> The new CFO has now been appointed. The IJB's financial statements were prepared in line with our timetable.</p>

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# Appendix 3

## Summary of national performance reports 2020/21

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### April

[Affordable housing](#)

### June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

### July

[The National Fraud Initiative in Scotland 2018/19](#)

### January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

### February

[NHS in Scotland 2020](#)

### March

[Improving outcomes for young people through school education](#)

# Inverclyde Integration Joint Board

## 2020/21 Annual Audit Report

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