



South Ayrshire Integration Joint Board

Report to the Performance and Audit Committee, Members of the Integration Joint Board and the Controller of Audit on the 2020/21 audit

Issued on 12 August 2021 for the meeting on 20 August 2021

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Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the Annual Report and Accounts.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Performance and Audit Committee (“the Committee”) of the South Ayrshire Integration Joint Board (“the IJB” “the Board”) for the year ending 31 March 2021 audit. The scope of our audit was set out within our planning report presented to the Committee in March 2021.

This report summarises our findings and conclusions in relation to:

- The audit of the **Annual Accounts**; and
- Consideration of the **four audit dimensions** that frame the wider scope of public sector audit requirements as illustrated in the following diagram. This includes our consideration of the Board’s duty to secure best value.



Introduction (continued)

The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

Conclusions from our testing

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

The Management Commentary and Annual Governance Statement comply with the statutory guidance and proper practice and are consistent with the Annual Report and Accounts and our knowledge of the Board.

The auditable parts of the Remuneration Report have been prepared in accordance with the relevant regulations.

A summary of our work on the significant risks is provided in the dashboard on page 10.

We have identified one misstatement above our reporting threshold, relating to the reversal of the 2019/20 surplus shown incorrectly as a direct adjustment from General Fund balance within the Movement in Reserves Statement, as set out on page 8.

Status of the financial statements audit

Our audit work is complete.

Conclusions on audit dimensions and best value

As set out on page 3, our audit work covered the four audit dimensions. Our findings and conclusions on each dimension are set out on pages 17 to 33 of this report. Key highlights include:

Financial Management

The IJB continues to have effective financial planning and management arrangements in place with a strong and consistent finance team. An underspend has been achieved through close monitoring of the projected position throughout the year. This included close monitoring of COVID-19 costs and unachieved savings which have been fully funded.

Financial sustainability

The IJB achieved short term financial balance in 2020/21 and a balanced budget has been set for 2021/22. We are therefore satisfied that a robust budget setting process is in place. However, the impact of COVID-19 remains a significant challenge which could impact on the IJB achieving medium and longer term financial sustainability through the IJBs recovery and redesign of services. Given that the MTFP has not been updated during 2020/21, the IJB is unable to evidence it is financially sustainable in the medium to longer term. While the uncertainty faced by the IJB is clear, it is critical that future plans are developed based on alternative scenarios to ensure that the IJB is prepared to deliver a financially sustainable service for the future.

The IJB is carrying forward significant reserves, largely due to the additional funding from the Scottish Government. It is positive to note that the IJB is actively monitoring its level of uncommitted reserves to help manage any risks that arise. It is also positive to note that the IJB has set aside a small fund for delivering savings and service improvements, which is critical for progressing transformation of services and ensuring future financial sustainability.

Introduction (continued)

The key messages in this report (continued)

Conclusions on audit dimensions and best value (continued)

Financial sustainability (continued)

The IJB is progressing with its transformation programme. Significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability, and therefore it is imperative that this work is progressed at pace. The IJB must ensure that it has sufficient resources to drive forward and increase the pace of change and put in place a benefits tracker to ensure that that it can monitor whether the intended outcomes (both financially and operational) from the transformation change programme are achieved as intended.

Governance and transparency

The IJB continues to strengthen its leadership team to ensure that it is appropriately resourced to focus on areas of most critical concern. The leadership team has worked well together in responding to the pandemic and there is a positive and collaborative culture.

The IJB has improved its governance and scrutiny arrangements during the year, with particular focus on improving the understanding of where responsibilities lie. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned. Further progress is also needed to fully implement delegated hospital budgets and Set Aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships.

The IJB continues to demonstrate a good attitude towards openness and transparency which the recently introduced option to allow public access to online meetings showing a positive step.

Value for money

The IJB continues to have an embedded performance management culture supported by its performance management systems, which analyse data, track progress and identify actions. In addition, there is regular performance information which is provided to the Committee, IJB members, and operational managers, and is publicly reported.

The latest performance data on the specific area of poor performance with delayed discharge is showing improvements, reflecting the targeted work being done to address this. As the Board moves into remobilisation and recovery from the pandemic, it will need to take stock of lessons learned and how this will share the design of future service provision.

Best value

The IJB has sufficient arrangements in place to secure best value and has a clear understanding of areas which require further development.

Introduction (continued)

The key messages in this report (continued)

Emerging issues

Deloitte's wider public sector team prepare a number of publications to share research, informed perspective and best practice across different sectors. We have provided a summary of those most relevant to the Board on pages 36 to 40 of this report.

Next steps

An agreed Action Plan is included on pages 43 – 49 of this report which includes a follow-up of progress against prior year actions. We will continue to consider progress with the agreed actions as part of our 2021/22 audit.

Added value

Our aim is to add value to the Board by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas for improvement and recommending and encouraging good practice. In so doing, we aim to help the Board promote improved standards of governance, better management and decision making, and more effective use of resources. This is provided throughout the report.

Pat Kenny
Audit Director








Annual accounts audit



Quality indicators

Impact on the execution of our audit

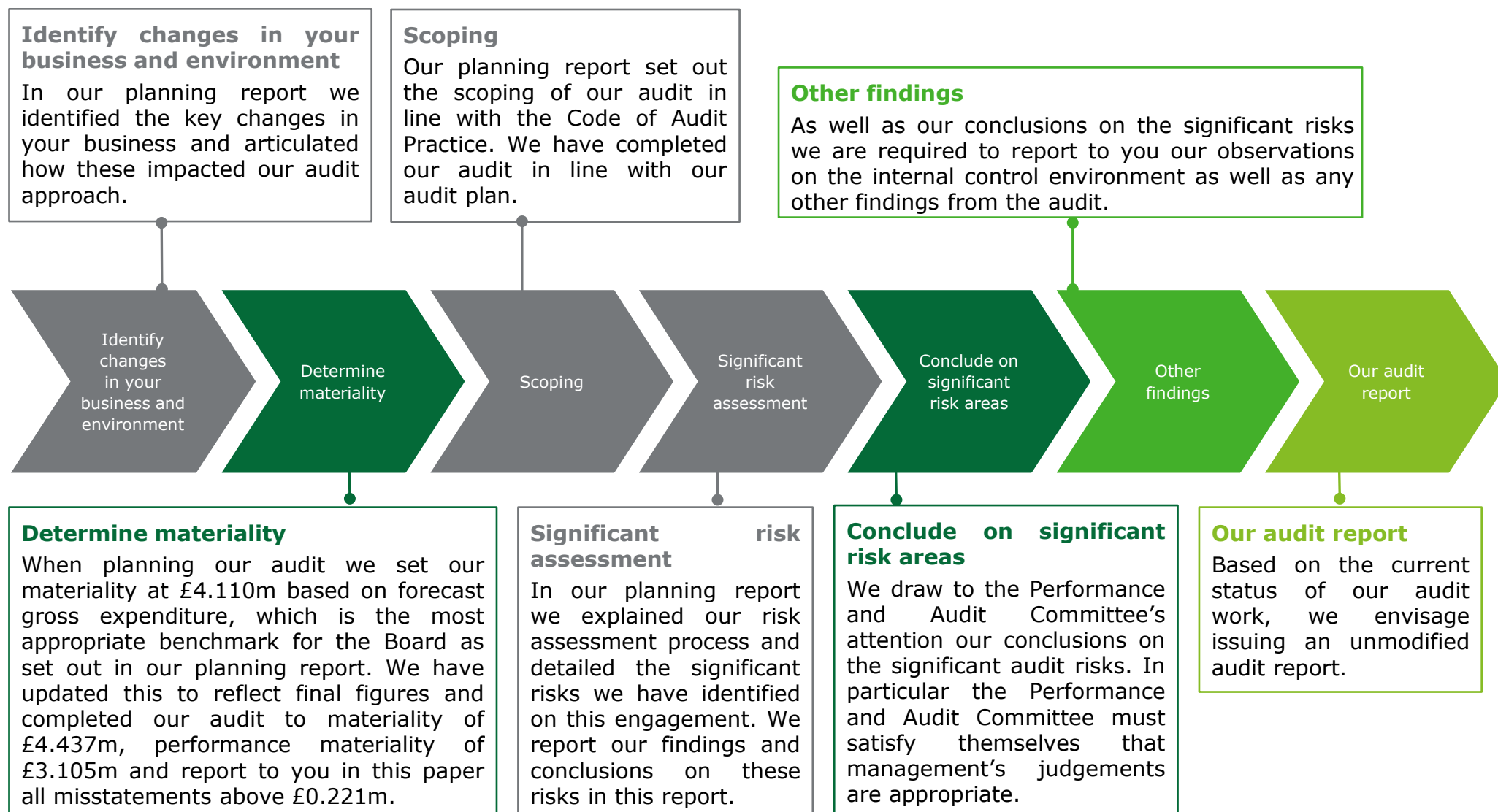
Management and those charged with governance are in a position to influence the effectiveness of our audit, through timely formulation of judgements, provision of accurate information, and responsiveness to issues identified in the course of the audit. This slide summarises some key metrics related to your control environment which can significantly impact the execution of the audit. We consider these metrics important in assessing the reliability of your financial reporting and provide context for other messages in this report.

Area	Grading	Reason
Timing of key accounting judgements		There were no significant accounting judgements included within the IJB Annual Report and Accounts, which is in line with our expectations and understanding of the IJB.
Adherence to deliverables timetable		The audit of the Annual Report and Accounts progressed largely in line with the original timescale. The receipt of the full year journals transaction listing and April 2021 invoice listing was received two weeks after the due date. We were advised that this was due to delay in closedown of the Council ledger. Despite the delay, this did not impact on completing the audit in line with the original timescale.
Access to finance team and other key personnel		Deloitte and the IJB's finance team have worked together to facilitate remote communication during the audit which has been successful. There have been no issues with access to the finance team or other key personnel.
Quality and accuracy of management accounting papers		Documentation provided has been of a high standard, which enabled an efficient audit. Working papers were clear and reconcilable to the Annual Report and Accounts. This is borne out by the resubmission rate on requests for the audit being low, at 8%.
Quality of draft financial statements		A full draft of the Annual Report and Accounts was received for audit on 11 June 2021. We identified one significant change relating to incorrect presentation of COVID-19 costs as a separate line item within the Comprehensive Income and Expenditure Statement. Other minor changes were also identified which were amended in the final version of Annual Report and Accounts.
Response to control deficiencies identified		We did not identify any control deficiencies during our audit.
Volume and magnitude of identified errors		We have identified one financial adjustment during our audit relating to reversal of 2019/20 surplus shown as a direct adjustment from the General Fund balance within the Movement in Reserves Statement.

 Lagging  Developing  Mature







Our audit explained

We tailor our audit to your business and your strategy



Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness and accuracy of income			D+I	Satisfactory		Satisfactory	11
Management override of controls			D+I	Satisfactory		Satisfactory	12

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Completeness and accuracy of income



Risk identified and key judgements

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in income recognition, evaluate which types of income, income transactions or assertions give rise to such risks.

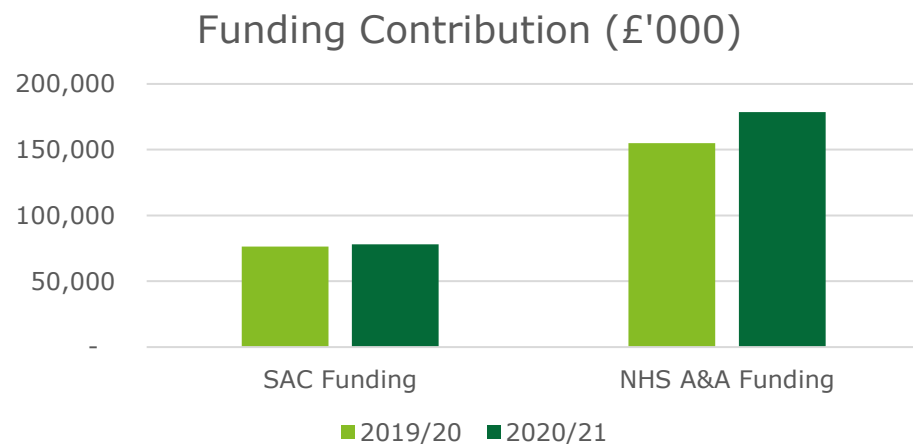
The main components of income for the Board are contributions from its funding partners, namely South Ayrshire Council (SAC) and NHS Ayrshire and Arran (NHS A&A). The significant risk is pinpointed to the recognition of this income, being completeness and accuracy of contributions received from the Health Board and the Council. Whilst the Board was projecting a year-end underspend against budget in relation to directly managed services, there remains a risk associated with the additional COVID-19 expenditure and associated funding.



Deloitte response and challenge

We have performed the following:

- assessed the design and implementation of the controls around recognition of income;
- tested the income to ensure that the correct contributions have been input and received in accordance with that agreed as part of budget process;
- tested the reconciliations performed by the Board at 31 March 2021 to confirm all income is correctly recorded in the ledger; and
- confirmed that the reconciliations performed during 2020/21 have been reviewed on a regular basis.



Deloitte view

We have concluded that income has been correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

Significant risks (continued)

Management override of controls



Risk identified

Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Although management is responsible for safeguarding the assets of the entity, we planned our audit so that we had a reasonable expectation of detecting material misstatements to the Annual Report and Accounts and accounting records.



Deloitte response and challenge

In considering the risk of management override, we have performed the following audit procedures that directly address this risk:

Journals

We have tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Annual Report and Accounts. In designing and performing audit procedures for such tests, we have:

- Tested the design and implementation of controls over journal entry processing;
- Made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
- Selected journal entries and other adjustments made at the end of a reporting period; and
- Considered the need to test journal entries and other adjustments throughout the period.

Accounting estimates and judgements

We have reviewed accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing this review, we have:

- Evaluated whether the judgments and decisions made by management in making the accounting estimates included in the Annual Report and Accounts, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. From our testing we did not identify any indications of bias. We have not identified any significant accounting estimates and judgements from our testing; and
- Performed a retrospective review of management judgements and assumptions related to significant accounting estimates reflected in the Annual Report and Accounts of the prior year.

Significant and unusual transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

We have not identified any instances of management override of controls in relation to the specific transactions tested.

Other significant findings

Financial reporting findings

Below, we set out the findings from our audit surrounding your financial reporting process.

Qualitative aspects of your accounting practices:

The Board has prepared its Annual Report and Accounts in line with the Code of Practice on Local Authority Accounting. We are satisfied that the Board's accounting practices are appropriate.

Other matters relevant to financial reporting:

We have not identified other matters arising from the audit that, in the auditor's professional judgement, are significant to the oversight of the financial reporting process.

Significant matters discussed with management:

Significant matters discussed with management related primarily to the impact of COVID-19 on the organisation.

The Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance on accounting for Personal Protective Equipment (PPE) COVID-19 suggests that the IJB is acting as agent regarding the PPE transactions and therefore does not recognise any income, expenditure, or stocks of PPE. This was discussed with management and confirmed that this guidance has been followed.

We have identified one financial adjustment during our audit relating to the reversal of the 2019/20 surplus shown as a direct adjustment from the General Fund balance within the Movement in Reserves Statement.

We will obtain written representations from the Board on matters material to the Annual Report and Accounts when other sufficient appropriate audit evidence cannot reasonably be expected to exist. A copy of the draft representations letter has been circulated separately.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



Our opinion on the financial statements

Based on our audit work completed to date, we expect to issue an unmodified audit opinion.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

Practice Note 10 provides guidance on applying ISA (UK) 570 Going Concern to the audit of public sector bodies. The anticipated continued provision of the service is relevant to the assessment of the continued existence of a particular body.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the Annual Report and Accounts that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The narrative parts of the Annual Report and Accounts is reviewed in its entirety for material consistency with the Annual Report and Accounts and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit as discussed further on page 15.

Your Annual Report

We are required to provide an opinion on the auditable parts of the Remuneration Report, the Annual Governance Statement and whether the Management Commentary is consistent with the disclosures in the accounts.

	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Board also focuses on the strategic planning context.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>Pending amendments for minor improvements in the final version of the Annual Report and Accounts, we are satisfied that the Management Commentary has been prepared in accordance with guidance, is consistent with our knowledge and is not otherwise misleading.</p>
Remuneration Report	The remuneration report must be prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of the Chief Officer and Chief Financial Officer.	We have audited the disclosures of remuneration and pension benefits and pay bands. We can confirm that the remuneration report disclosures have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that the Board governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government Framework. We have requested management to make minor changes but are satisfied to conclude that the Annual Governance Statement is consistent with the financial statements, our knowledge and the accounts regulations.

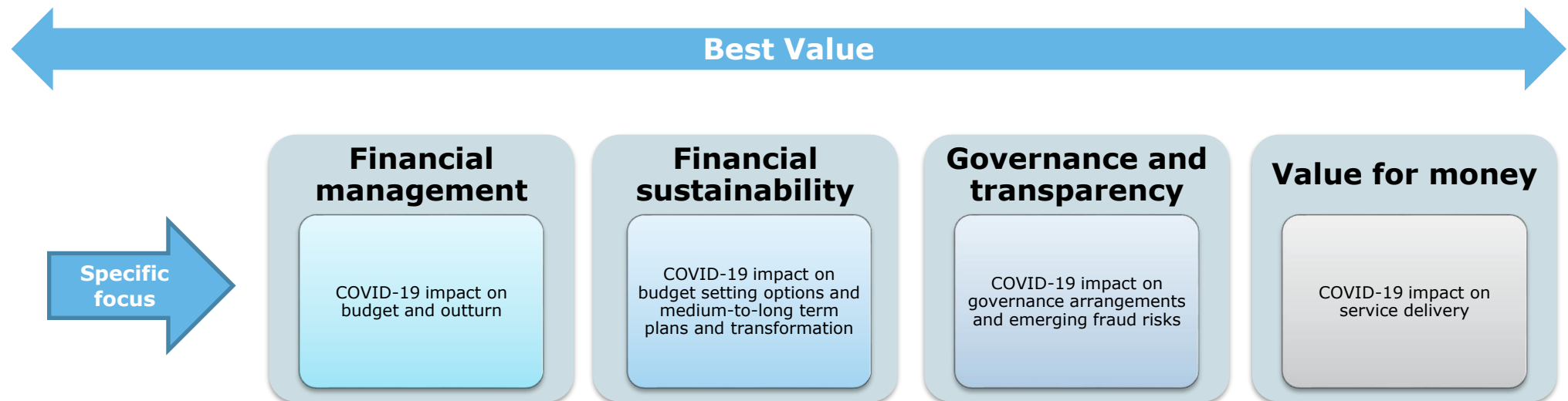
Audit dimensions and best value



Audit dimensions and best value

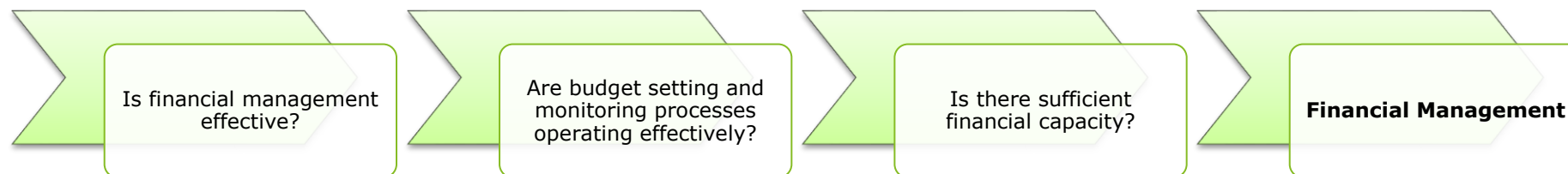
Overview and conclusions

As set out in our audit plan, public audit in Scotland is wider in scope than financial audits. The risk profile of public bodies for the 2020/21 audits is significantly affected by the COVID-19 pandemic. Our audit work across each dimension has therefore been specifically focused on how the Board has responded to these risks.



Financial management

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



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we confirmed that while there was no specific risk in relation to financial management, we would continue to review the Board's financial management arrangements. In addition, we also identified the following risk:

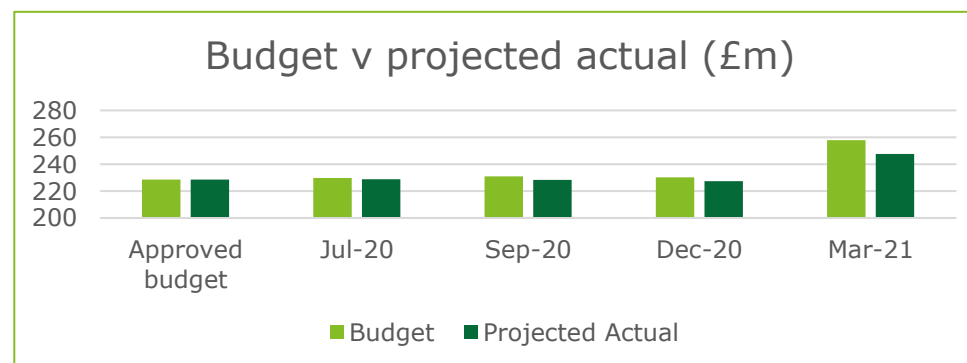
"Since the start of the pandemic, the risk of fraud and error has increased as the control environment and internal control change. In accordance with Audit Scotland planning guidance, we will consider fraud as a particular focus area in 2020/21."

Current year financial performance

2019/20 conclusion: The achievement of an underspend position at the end of March 2020 demonstrated the success of close monitoring and management of the financial position during the year and associated remedial action. While variances had arisen during the year, the IJB had effectively managed the position to ensure expenditure remained within the funding available. This was a significant improvement from the 2018/19 position.

2020/21 update: The IJB has reported its projected financial position against budget throughout the year, including the financial implications of COVID-19. The impact of savings delays were built into the core projections on the assumption that non-recurring underspends can offset the savings in the year. All other additional costs in response to the COVID-19 pandemic were included in the local mobilisation finance returns to the Scottish Government with the assumption that these would be fully funded.

The final outturn at 31 March 2021 reported an underspend of £10.205m. This was a significant change to that reported in December, as illustrated in the graph, and was largely driven by additional COVID-19 funding being received during the period to meet the costs in the local mobilisation plan for 2020/21 and costs continuing into 2021/22. The total allocation of COVID-19 funding for South Ayrshire IJB was £12.347m.



Financial management (continued)

Current year financial performance (continued)

In 2018/19, the IJB overspent by £3.277m, resulting in a debt due to South Ayrshire Council. An agreement was reached to repay this loan over the three financial years from 2020/21. A sum of £0.291m was repaid in 2019/20 and the agreed sum of £1.092m was repaid in 2020/21 leaving an outstanding debt of £1.894m which will be adjusted for in the funding settlement in future years.

The key reasons for the underspend are:

- Community Care and Health underspend of £1.062m. This was mainly within the reablement care at home service where additional investment was approved to support delayed discharges and optimising people's independence, however, recruitment was impacted by the pandemic and the full team compliment was not in place at the end of the year. The remainder is expected to be recruited in 2021/22.
- Children and Justice Services underspend of £1.362m. This was mainly due to reduced travel costs from home working and reduced day care and college support due to the pandemic.
- Support services underspend of £1.8m. This relates to funding that has been earmarked for future years and variances with staff costs.
- COVID-19 costs underspend of £3.8m. The costs incurred in responding to COVID, including delays in savings and offset by cost reductions were less than the funding received. This will be carried forward within reserves for use in future years, as discussed further on page 24.

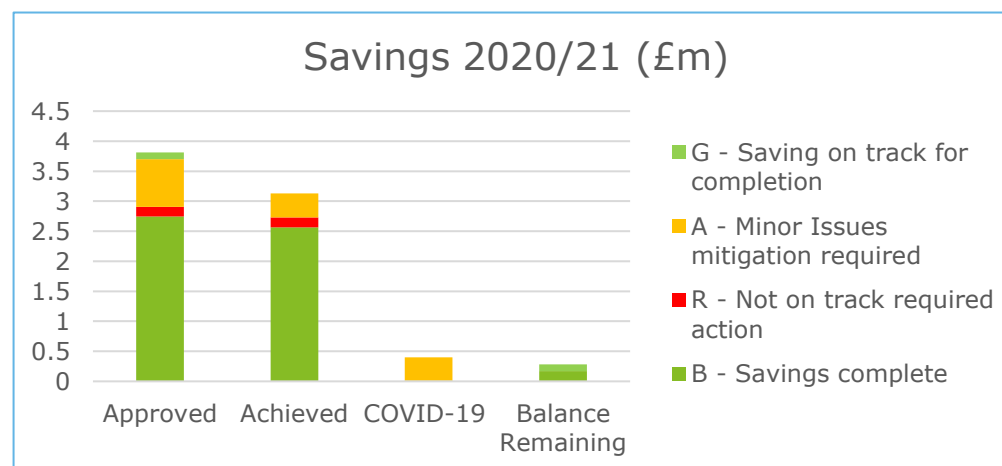
2020/21 conclusion: The IJB has ended the year with an underspend which has been achieved through close monitoring of the projected position throughout the year, including the monitoring of additional costs and unachieved savings arising as a result of COVID-19..

Savings Plans

2019/20 conclusion: The IJB continued to face challenges in achieving its planned savings. In order to ensure future financial sustainability, we highlighted that it was critical that the Board set realistic targets with clear plans in place, ensuring there was sufficient lead time to implement the changes required. Progress against these targets should then be clearly reported as part of the quarterly monitoring reports.

Savings totalling £3.128m (82%) have been achieved, £0.402m were not achieved due to COVID-19 and the balance of £0.285m will be carried forward into future years.

2020/21 update: The approved 2020/21 budget included a need to make £3.815m of savings, which included £0.624m savings carried forward from the previous year. In line with our recommendation made in 2019/20, this is was monitored as part of the financial monitoring reports to the Board during the year through the use of a Blue, Red, Amber, Green (BRAG) rating. The outturn position at 31 March 2021 is illustrated below.



Financial management (continued)

Savings Plans (continued)

2020/21 conclusion: We are pleased to note that the monitoring reports to the Board now clearly report progress against approved savings in line with our recommendation. The IJB continues to face challenges in achieving savings required, with 82% of planned savings achieved. Whilst unachieved savings have been funded for 2020/21, this is on a non-recurring basis to assist the Board with meeting the challenges of COVID-19. In order to ensure future financial sustainability, it is critical that as the Board starts to look to remobilise and recover from COVID-19, that realistic savings targets are set with clear plans in place to achieve service transformation.

Financial reporting

2019/20 conclusion: The IJB has improved its financial planning and management arrangements in place. Further work is still required to align the Strategic Plan to the Medium Term Financial Strategy.

2020/21 update: From our review of the monitoring reports during 2020/21, it is clear that in overall terms, the reports to management and the Board are consistent and transparent, with appropriate corrective action taken where necessary.

The updated Strategic Plan (discussed further on page 25), aligns the service changes to the IJB priorities and notes that over time, the HSCP will continue to demonstrate commitment to its strategic objectives by focussing resources on preventative activity, commissioning services based on the principles of person-centred service design, transparency and best value. The 2021/22 budget also includes specific areas of investment to improve outcomes. Further work is planned as part of the refresh of the MTFP to align the Strategic Plan to demonstrate that resources are being directed in line with priorities.

We note that in 2018 the Scottish Parliament Health and Sport Committee highlighted continued challenges and sought reassurance from the Scottish Government that developing budget information against outcomes was a top priority. The Scottish Government confirmed that it has established a framework for linking budgets and outcomes where Integration Authorities must publish annual audited accounts, their budgets for the year, financial performance reports during the course of the year and an annual finance report as part of the annual performance report

Notwithstanding the above, the Committee concluded that they *"continue to struggle to identify any coherent link between spend and outcomes. Given the billions of pounds under the control of the Integration Authorities and the statutory duty to report outcomes, we expect the Scottish Government to provide the Scottish Parliament with a clear linkage to show in every Authority the relationship between spending, outputs and outcomes"*.

The progress being made in linking budgets and outcomes therefore remains a key focus for the Scottish Parliament and Scottish Government

2020/21 conclusion: The IJB continues to have effective financial planning and management arrangements in place. As reported in previous years, further work is still required to update the MTFP to ensure that this closely aligns strategic priorities and outcomes with the budget, to facilitate improved reporting on how the budget links with outcomes. There are plans to update the MTFP in the summer of 2021.

Financial management (continued)

Financial capacity

2019/20 conclusion: The appointment on the permanent Chief Finance Officer for the IJB was a significant improvement in the year. We were therefore satisfied that the finance team capacity was sufficient to support the IJB's financial management arrangements.

2020/21 update: The Chief Finance Officer has remained consistent throughout the year. COVID-19 has had an impact on the workload and capacity within the finance team, given the additional monthly COVID-19 submissions which has placed pressure on resource.

2020/21 conclusion: The IJB continues to have a strong and consistent finance team with the relevant financial skills, capacity and capability. We will monitor any impact of COVID-19 on the capacity of the finance team as part of the 2021/22 audit.

Internal audit

We have assessed the internal audit function, including its nature, organisational status and activities performed.

The 2020/21 Internal Audit Plan was approved by the Committee in September 2020, and subsequently amended in February 2021. The original planned assignment on decisions and directions agreed as part of the 2020/21 Internal Audit Plan was changed in the year to a different and more condensed piece of work on COVID-19 agile governance arrangements. A "reasonable assurance" opinion was given on the system of control.

We have reviewed the work of internal audit. The conclusions have helped inform our audit work, although no specific reliance has been placed on this work. We have also considered the work of internal audit as part of our audit work on the Annual Governance Statement as discussed on page 15.

Standards of conduct for prevention and detection of fraud and error

We have assessed the Board's arrangements for the prevention and detection of fraud and irregularities, which includes the arrangements at the Council and Health Board given that the IJB relies on their systems and processes. This has included specific considerations in response to the increased risk of fraud as a result of COVID-19. Overall we found the Board's arrangements to be to be designed and implemented appropriately.

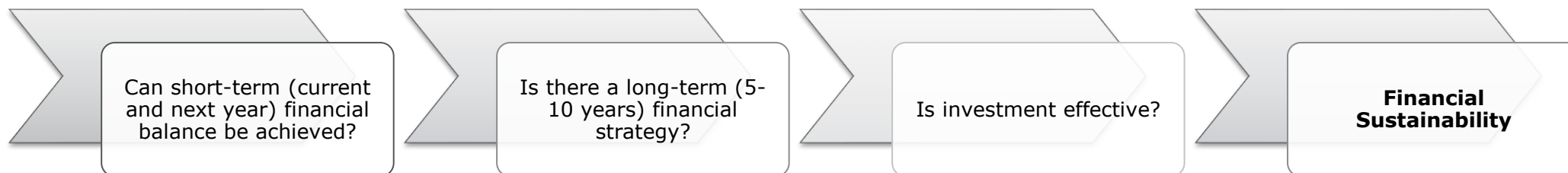
Deloitte view – financial management

The IJB continues to have effective financial planning and management arrangements in place with a strong and consistent finance team. An underspend has been achieved through close monitoring of the projected position throughout the year. This included close monitoring of COVID-19 costs and unachieved savings which have been fully funded.

We are pleased to note that the monitoring reports to the Board now clearly report progress against approved savings in line with our recommendation. The IJB continues to face challenges in achieving savings required. Whilst unachieved savings have been funded for 2020/21, this is on a non-recurring basis to assist the Board with meeting the challenges of COVID-19. Realistic savings targets need to be set with clear plans in place to achieve service transformation.

Financial sustainability

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.



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified that there remains a significant risk that robust medium to long term planning arrangements are not in place to ensure that the Board can manage its finances sustainably and deliver services effectively, identify issues and challenges early and act on them promptly.

Budget setting

2019/20 conclusion: A balanced budget was set for 2020/21, which incorporates savings targets in line with savings achieved in previous years. We were therefore satisfied that a robust budget setting process was in place. However, the impact of COVID-19 remained a significant risk which could impact on the IJB achieving short term financial balance.

2020/21 update: A balanced 2021/22 budget of £200.170m was approved by the Board on 24 March 2021. This included the need to achieve savings of £3.393m in the year. Savings plans were agreed as part of the budget with detailed plans to support these, which includes the following main targeted areas of savings:

- £400k – Intensive Family Support reduce outwith Authority Placements
- £400k – Care at Home reablement investment
- £777k – Care Home – reduce placements
- £407k – Review of Adult Community Care Packages

The savings plan has been categorised with a RAG rating - £2.186m has been assessed as “Green” indicating savings are on track, with £1.207m assessed as “Amber” indicating plans are still required to ensure these savings are achieved. The savings plans for 2021/22 are in line with the value of savings achieved in previous years and are building on some of the transformation work that started in 2020/21 and therefore appear realistic.

Financial sustainability (continued)

Budget setting (continued)

In setting its budget the Board has recognised that a number of risks exist, many of which are consistent with the risks identified in setting the 2020/21 budget, including:

- The pay awards have still to be approved for NHS and Local Authorities. While the Scottish Government has provided assurance that any increase over the public sector pay policy will be provided for the NHS budget, this is not the case for Local Authorities.
- Uplifts to providers have been based on 2.2% reflecting the increase in the Scottish Living Wage. There are discussions nationally to create a National Uplift and if this is agreed but not fully funded, this will create an additional pressure on the budget.
- The National Care Home Contract uplift is still under discussion.
- The impact of COVID-19 will not be fully known until the country starts to recover and return to normal. Whilst the budget has invested in Allied Health Professional and Mental Health Services, the impact could exceed the investment approved.
- As noted above, the budget includes ambitious savings targets that need to be achieved to ensure financial balance.
- Impact of the Independent Review of Adult Social Care.

Whilst the impact of the withdrawal from the EU has not been specifically considered by the IJB, it has been considered separately by the Council. It has determined that there is no immediate risk for the short-term, with any likely impact to be in the medium to longer term.

Board members were fully involved in the budget process in advance of the formal budget setting meeting. This included the IJB Budget Working Group who scrutinised the pressures and prioritised those proposed for approval.

In advance of the 2021/22 budget being approved, extensive engagement took place in preparing the updated Strategic Plan, which included engagement with staff, partners and communities. Initial engagement began in August 2020 with the more formal consultation taking place in January and February 2021. This included an online survey, online workshops with the third sector and provider organisations, presentations to Locality Planning Partnership's, engagement with the Alcohol and Drug Partnership and Community Planning Partners and focus groups with people recovered. The feedback has been incorporated into the final plan that was approved in March 2021.

2020/21 conclusion: A balanced budget has been set for 2021/22 incorporating savings targets in line with the savings achieved in previous years. We are therefore satisfied that a robust budget setting process is in place. However, the impact of COVID-19 remains a significant challenge which could impact on the IJB achieving medium and longer term financial sustainability through the IJBs recovery and redesign of services.

Reserves

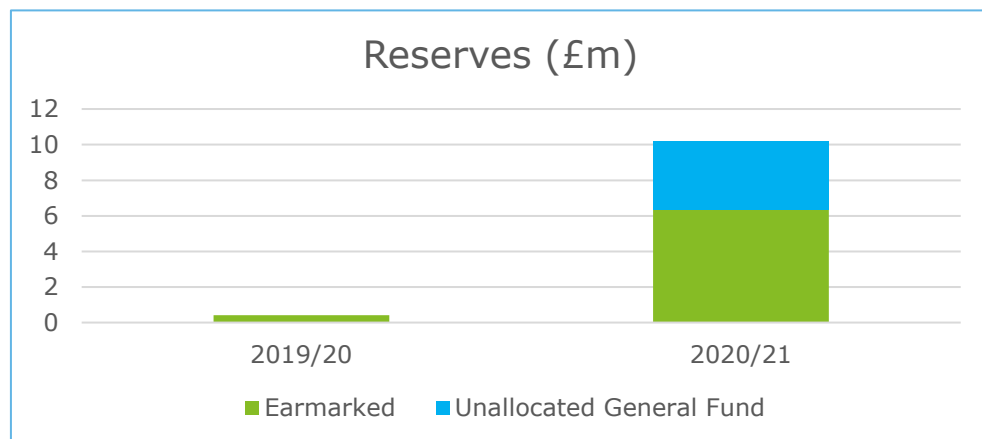
2019/20 conclusion: It is best practice to periodically review the Reserve Strategy to ensure it remains valid and fit for purpose. Now that the IJB has been in operation for a number of years, we recommended that the Reserves Strategy be reviewed, in particular ensuring there is a clear policy for planning for adequate reserves as part of the IJB budget planning. An annual review should then be incorporated into the annual budget setting process.

Financial sustainability (continued)

Reserves

2020/21 update: An updated Reserves Strategy was approved by the Board in March 2021 in line with our recommendation. This includes reference to CIPFA recommended reserve balance of between 2% and 4% of revenue expenditure. The Strategy confirms that the IJB will aspire to hold at least 2% of annual budgeted expenditure as general fund balances. This clearly needs to be balanced within the wider financial and strategic planning context. This would equate to £3.322m based on the 2020/21 budget.

As noted on page 18, the IJB has reported a significant underspend in 2020/21 which has resulted in a significant increase in its year-end reserves position as illustrated below.



The earmarked reserves are mainly from Scottish Government funding allocations for specific purposes to meet outcomes previously agreed and new outcomes identified in the Scottish Government Budget for 2021/22 in responding to recovery and renewal from the pandemic.

A balance of £3.851m remains uncommitted at 31 March 2021, representing just over 2% of the revenue budget and therefore in line with the approved Reserves Policy. At its meeting in June 2021, the Board approved a series of investments, totalling £0.831m, with the remaining balance to be held as uncommitted to manage any specific financial risks that emerge.

2020/21 conclusion: We are pleased to note that the Reserves Policy was updated and approved in March 2021 in line with our recommendation. The IJB is carrying forward significant reserves in comparison with previous years, largely due to the additional funding from the Scottish Government. It is also positive to note that the IJB is actively monitoring its level of uncommitted reserves to help manage any risks that arise. It is also positive to note that the IJB has set aside a small fund for delivering savings and service improvements, which is critical for progressing transformation of services and ensuring future financial sustainability.

Medium-to long-term financial planning

2019/20 conclusion: It was positive to note that a Medium Term Financial Strategy was developed and work was progressing with transformation plans to address the significant funding challenges that the IJB faces. There is a clear commitment to transformational change. We highlighted that it was critical that detailed plans are developed and implemented at pace to ensure that the projected efficiencies are achieved. The IJB must ensure that sufficient resources are in place to manage this plan, and have a clear benefits tracker in place to demonstrate that the transformation initiatives are achieving the desired results, as recommended in our 2018/19 report.

Financial sustainability (continued)

Medium-to long-term financial planning (continued)

Given the risks associated with COVID-19, these will need to be taken into account in further development of these transformational plans. We concluded that the IJB continues to be faced with an extremely challenging financial position.

2020/21 update: The Strategic Plan covering the period 2021-31 was approved by the Board in March 2021. Given the timing of the publication, many of the immediate actions and operational plans underpinning the strategy are interlinked with COVID-19 recovery and renewal and have an 18-month time-frame. These are set out in the Bridging Operational Plan.

The planned annual review of the Medium Term Financial Plan has been delayed due to the number of uncertainties in the funding from the Scottish Government and contractual obligations, as discussed as part of the 2021/22 budget setting process on pages 22-23. The IJB plans to complete this review in August 2021 and there is a commitment within the Strategic Plan to have a Medium-Term Financial Forecast updated during 2021/22 to reflect emergency national policies and the objectives of the Strategic Plan.

2020/21 conclusion: The IJB continues to be faced with an extremely challenging financial position in the medium to longer term. This includes the risks identified in the 2021/22 budget discussed on page 23, including those associated with COVID-19. Given that the MTFP has not been updated during 2020/21, the IJB is unable to evidence it is financially sustainable in the medium to longer term. While the uncertainty faced by the IJB is clear, it is critical that future plans are developed based on alternative scenarios to ensure that the IJB is prepared to deliver a financially sustainable service for the future.

Transformation

2019/20 conclusion: Incorporated into the “Medium-to long term financial planning” conclusions on page 24.

2020/21 update: As noted on page 20, the Strategic Plan covering the period 2021-31 was approved by the Board in March 2021. This recognises that transformation of services is key to shift the balance of care to community-based services and that this can be achieved by creating new ways of working that are more effective and efficient in enabling the citizens of South Ayrshire to live better lives.

The Strategic Plan identifies a number of transformation projects that are being taken forward. In particular, digital transformation is a key project. The experience of COVID-19 has sharpened the HSCP’s focus on digital technology. In setting the 2021/22 budget, the IJB approved investment in specific transformational changes programmes to reduce the financial impact in future years and continue to improve service delivery aligned to the new Strategic Plan and Caring for Ayrshire. This included:

- Increasing capacity within Children and Families teams to increase the number of kinship and foster carers. This reduces the need for expensive outwith authority placements.
- Replacement of analogue community alarm equipment with new digital equipment to improve efficiency in services.
- Investment in specific front-line resource to support the Community Planning Partnership led initiative in Wallacetown. The focus will be on supporting local people by improving signposting and referring to the right service at the right time.

Financial sustainability (continued)

Transformation (continued)

2020/21 conclusion: The IJB is progressing with its transformation programme, which includes ongoing engagement with various stakeholder groups to inform the update to the strategic priorities and future service design, and to also take into consideration lessons learned from the COVID-19 pandemic.

Significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability, and therefore it is imperative that this work is progressed at pace. The IJB must ensure that it has sufficient resources to drive forward and increase the pace of change and put in place a benefits tracker to ensure that that it can monitor whether the intended outcomes (both financially and operational) from the transformation change programme are achieved as intended.

Deloitte view – Financial sustainability

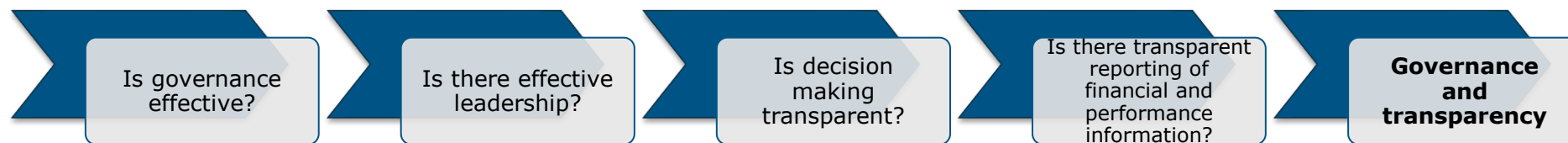
The IJB achieved short term financial balance in 2020/21 and a balanced budget has been set for 2021/22 incorporating savings targets in line with the savings achieved in previous years. We are therefore satisfied that a robust budget setting process is in place. However, the impact of COVID-19 remains a significant challenge which could impact on the IJB achieving medium and longer term financial sustainability through the IJBs recovery and redesign of services. Given that the MTFP has not been updated during 2020/21, the IJB is unable to evidence it is financially sustainable in the medium to longer term. While the uncertainty faced by the IJB is clear, it is critical that future plans are developed based on alternative scenarios to ensure that the IJB is prepared to deliver a financially sustainable service for the future.

The IJB is carrying forward significant reserves in comparison with previous years, largely due to the additional funding from the Scottish Government. It is also positive to note that the IJB is actively monitoring its level of uncommitted reserves to help manage any risks that arise. It is also positive to note that the IJB has set aside a small fund for delivering savings and service improvements, which is critical for progressing transformation of services and ensuring future financial sustainability.

The IJB is progressing with its transformation programme. Significant work is still required to make the level of lasting long-term transformational change needed to ensure financial sustainability, and therefore it is imperative that this work is progressed at pace. The IJB must ensure that it has sufficient resources to drive forward and increase the pace of change and put in place a benefits tracker to ensure that that it can monitor whether the intended outcomes (both financially and operational) from the transformation change programme are achieved as intended.

Governance and transparency

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



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified that there is a risk that the governance arrangements are not operating effectively (including services delivered by, or in partnership with, others). In particular, as highlighted in our 2019/20 annual audit report, there is a risk that leadership is not sufficiently focused and the partnership is not appropriately resourced to focus on the areas of most critical concern. Furthermore, there is a risk that the revised governance arrangements, enacted in March 2020 in response to the pandemic, are not appropriate or operating effectively.

We also identified that there is a risk that officers and Committee members have not considered how sustainable any changes to the risk appetite will be in the longer term.

Leadership

2019/20 conclusion: We are pleased to note that there is now a full SMT in place to better support at an operational level. However, leadership at the strategic level is currently not sufficiently focused. Further work is required to ensure that the partnerships is appropriately resourced and focusing on the areas of most critical concern.

2020/21 update: The HSCP Directorate Management Team has remained consistent throughout the year, with the relatively new team now fully embedded and working together effectively. This has been particularly evident in the response to the pandemic.

To further strengthen the team and support the HSCP to improve its performance culture and to free us staff for strategic reporting, two additional posts have been created, which were approved by the IJB in April 2021. The intended outcome of this investment is to ultimately impact on the “front line” and outcomes for people, for example improving the delayed discharge performance (discussed further on page 31). This is a positive step to ensure sufficient focus on areas of critical concern, with some early positive signs from the current leadership, particularly in the delayed discharge performance.

The Chair of the IJB changed during the year with Councillor Julie Dettbarn taking over this role from September 2020, with the transition running smoothly.

From discussion with a number of officers and Board members as part of the audit and observation at meetings, it is clear that there is a positive and collaborative culture throughout the organisation, which includes close working relations between the IJB, Council and Health Board.

2020/21 conclusion: The IJB continues to strengthen its leadership team to ensure that it is appropriately resourced to focus on areas of most critical concern. The leadership team has worked well together in responding to the pandemic and there is a positive and collaborative culture.

Governance and transparency (continued)

Governance and scrutiny arrangements

2019/20 conclusion: The IJB has made significant developments with its governance and scrutiny arrangements during the year. It is important that areas identified from the review of the Integration Scheme are progressed during 2020/21. Appropriate arrangements have been put in place in response to the COVID-19 pandemic. The IJB should continue to review all governance documents to ensure they are up to date and fit for purpose.

2020/21 update: In response to the challenges arising as a result of COVID-19, the Board agreed some temporary changes to its corporate governance arrangements on 25 March 2020. This included agreeing delegated powers to allow the Chief Officer and Chief Finance Officer to make decisions that would otherwise have required approval by the Board. The IJB Board meetings were reinstated in June 2020 using teleconferencing and from April 2021 have been accessible to the public online.

Significant improvements have been noted in the year with a review of the governance arrangements between the IJB, Council and NHS taking place. There is now a clearer understanding of where responsibilities lie between partners. Training has taken place with all IJB members and quarterly three-way meetings are held to discuss and resolve issues as they arise and work towards improving integration.

At the Performance and Audit Committee in December 2020, members were advised that an internal Risk and Resilience group had been created and will focus on updating the risk register which had not been updated for some time. The Performance and Audit Committee will then be updated on this twice a year along with an annual update to the Board. An updated risk register was subsequently presented to the Board in May 2021. The impact of COVID-19 in terms of response and recovery was fully considered as was risk mitigations.

From analysis of board member attendance during 2020/21 and observations at Performance and Audit Committee, we are satisfied that there has been effective scrutiny and challenge.

As highlighted by the Ministerial Strategic Group more work is required to implement delegated hospital budgets and Set Aside requirements; this is key to delivering the commitment to planning across the whole unplanned care pathway. This includes arrangements in relation to the use of Directions, Commissioning Plans and overall progression towards Fair Share allocations of resources. This has not yet been achieved across Ayrshire and Arran due to prioritisation of managing COVID-19 in the past year.

2020/21 conclusion: The IJB has improved its governance and scrutiny arrangements during the year, with particular focus on improving the understanding of where responsibilities lie. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned. Further progress is also needed to fully implement delegated hospital budgets and Set Aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships.

Openness and transparency

2019/20 conclusion: In general, the IJB continues to be open and transparent in relation to the decisions it makes. Some specific issues have arisen during the year as a result of the decision to close the Kyle Day Centre. While it is positive to note that the IJB is taking the opportunity to review its arrangements to ensure that similar legal issues do not recur in the future, this needs to be progressed as a matter of priority, with lessons learned reported back to the IJB.

Governance and transparency (continued)

Openness and transparency (continued)

2020/21 update: The Board has continued to be open and transparent with its decision making. This includes the publication of all IJB papers and minutes on the website, which includes, for example, quarterly performance reports, financial performance reports, and any other papers considered during these meetings. Only reports containing commercial sensitivities are not published, in accordance with the IJB's Standing Orders.

The IJB has continued to engage with communities and stakeholders, as discussed on page 23.

While agendas, papers and minutes are available online, it has only recently opened up online meetings to be accessible to members of the public, from April 2021.

In relation to the specific issues arising in relation to the Kyle Day Centre, the IJB were notified at its meeting in June 2020 that prior to COVID-19, significant work had been carried out and that a report would be presented to the Council's Leadership Panel in due course. This has yet to be published. However, some of the underlying issues around the complexities in the governance arrangement have been addressed as part of the improvements noted in the governance arrangements discussed on page 28. The future of the Day Centre is now being considered as part of the wider review of the Learning Disability services, where there is a commitment in the updated Strategic Plan to publish a revised Adult Learning Disability Strategy by the end of 2021.

Internal Audit had planned to undertake an assignment on decisions and directions during 2020/21 however, due to the delegated authority arrangements being involved as a result of COVID-19, there were no directions issued during the year. This work has therefore been delayed to future years.

2020/21 conclusion: The IJB continues to demonstrate a good attitude towards openness and transparency which the recently introduced option to allow public access to online meetings showing a positive step. The IJB has also taken steps to address the underlying issues which arose in relation to the Kyle Day Centre.

Deloitte view – Governance and transparency

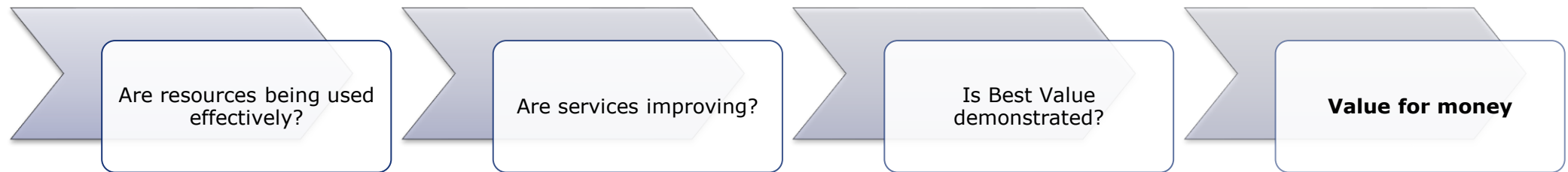
The IJB continues to strengthen its leadership team to ensure that it is appropriately resourced to focus on areas of most critical concern. The leadership team has worked well together in responding to the pandemic and there is a positive and collaborative culture.

The IJB has improved its governance and scrutiny arrangements during the year, with particular focus on improving the understanding of where responsibilities lie. Appropriate arrangements were put in place in response to the COVID-19 pandemic with normal governance arrangements having now returned. Further progress is also needed to fully implement delegated hospital budgets and Set Aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships.

The IJB continues to demonstrate a good attitude towards openness and transparency which the recently introduced option to allow public access to online meetings showing a positive step.

Value for money

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



Areas considered

Our approach to the audit dimensions is risk focused. Within our audit plan we identified that the pandemic is expected to have had a substantial impact on performance measures during the year, and therefore that *"there is a risk that performance reporting has not been timely, reliable, balanced, transparent and appropriate to users' needs."*

Performance management framework

2019/20 conclusion: the IJB continues to have an embedded performance management culture supported by its performance management systems which analyse data, track progress and identify actions. The specific reporting of how financial decisions impact performance is a positive step. In addition, there is regular performance information which is provided to the Performance and Audit Committee, IJB members, operational managers and is publicly reported. However, we recognise that, as a result of the COVID-19 pandemic, the normal performance monitoring arrangements are not in place and a Annual Performance Report will be published later in the year.

2020/21 update: The Board continues to have a well-established performance management framework in place, and this has continued through COVID-19 with regular reports presented to Performance and Audit Committee. Regular reporting was provided to both the Performance and Audit Committee and the IJB throughout the year to ensure Board members were kept up to date on developments with COVID-19 recovery and mobilisation and how this was impacting on performance, particularly with delayed discharges. The Annual Performance Report 2019-20 was approved by the IJB in December 2020.

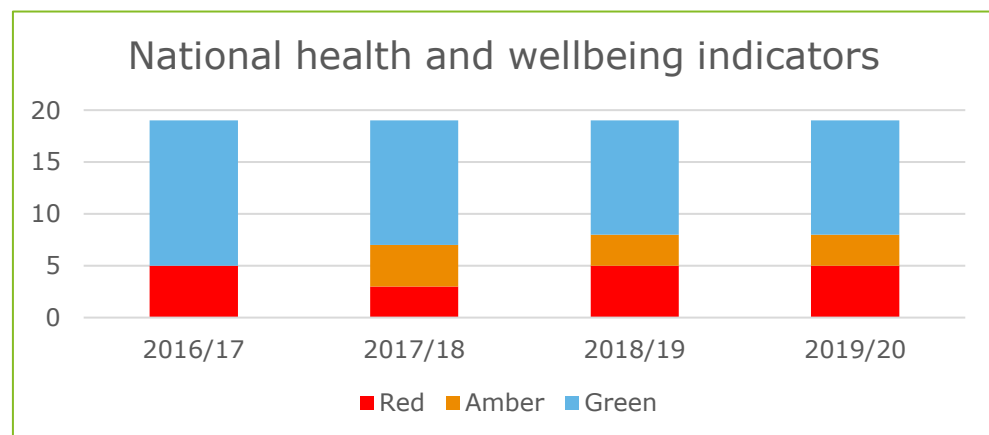
2020/21 conclusion: The IJB continues to have an embedded performance management culture supported by its performance management systems, which analyse data, track progress and identify actions. In addition, there is regular performance information which is provided to the Committee, IJB members, and operational managers, and is publicly reported.

Value for money (continued)

Performance data

2019/20 conclusion: The IJB's overall performance has remained largely consistent with previous years. A number of actions are being progressed to address the areas of 'major concern' but will take time to implement and see the desired results. The pace and scale of transformation needs to increase to address the challenges faced. We do, however, recognise that resources are currently focused on managing the impact of COVID-19.

2020/21 update: The most recent IJB annual performance report (for 2019/20) sets out its performance against 19 national performance and satisfaction indicators. Of these, 11 are the same or better than the Scottish average (green), 3 are slightly worse (amber) and 5 are significantly worse (red). This performance is largely in line with previous years as illustrated below. Those which are significantly worse relate to emergency admission rates, readmissions to hospital and delayed discharge. Both of these have been significantly impacted in 2020/21 by the Covid-19 pandemic.

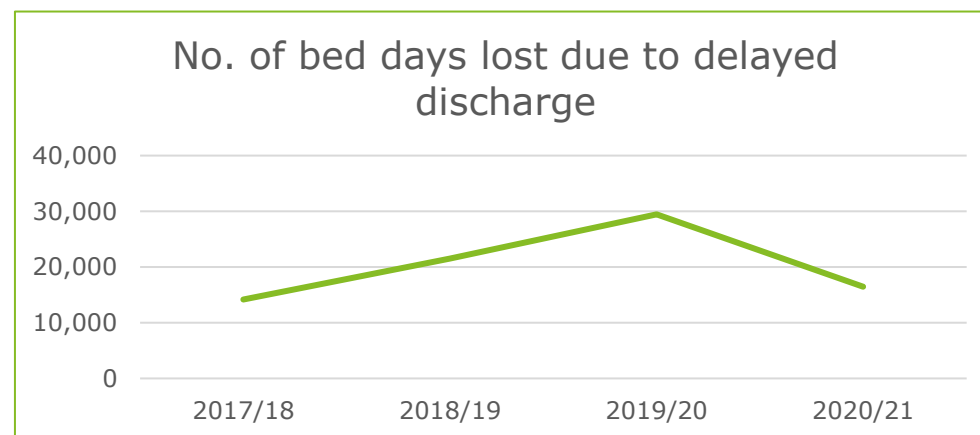


The number of bed days lost due to delayed discharges over the last 4 years is summarised below, demonstrating the significant increase year on year up to 2019/20, with improvements made in 2020/21.

As part of the initial response to the Covid-19 pandemic and the declining performance with delayed discharges, the HSCP implemented an action plan. This included building capacity into the reablement team, implementing changes within the responder team to reduce admissions to hospital and enhancing intermediate care screening of GP calls. Additional care home beds and care home provision was also commissioned, with the costs being met by the Scottish Government on a temporary basis. This resulted in some significant improvements in performance in 2020/21.

The latest data reported highlights the following progress since March 2020:

- 4 March 2020 - 76 cases (37 over 2 weeks)
- 22 April 2020 - 27 cases
- 5 May 2021 - 36 cases (12 over 2 weeks)



Value for money (continued)

Performance data (continued)

2020/21 conclusion: The latest performance data on the specific area of poor performance with delayed discharge is showing improvements, reflecting the targeted work being done to address this.

As the Board moves into remobilisation and recovery from the pandemic, it will need to take stock of lessons learned and how this will share the design of future service provision.

Equalities

2019/20 conclusion: Not specifically reported within our 2019/20 report.

2020/21 update: One of the seven strategic priorities, as set out in the Strategic Plan 2021-2031, is focussing on prevention and tackling inequalities. Inequalities are therefore central to the IJB's priorities.

The pandemic has brought to the fore the inequalities in health, with statistics highlighting the most deprived areas had higher infection rates and longer recovery times. Audit Scotland's NHS in Scotland 2020 report highlighted that people from the most deprived areas are twice as likely to die from COVID-19 than those in the least deprived areas. The IJB has reported that within South Ayrshire, 17.1% of the population live in the 20% most deprived datazones.

The HSCP has implemented a range of services including the development of wellbeing plans, supported self-management, information on activities available within the community and introduced new technology to enhance health and wellbeing.

2020/21 conclusion: Inequalities are one of the IJB strategic priorities and therefore central to what they do. As discussed further on page 20, further work is still required to update the MTFP to ensure that this closely aligns strategic priorities and outcomes with the budget, to facilitate improved reporting on how the investment is impacting on outcomes.

Deloitte view – Value for money

The IJB continues to have an embedded performance management culture supported by its performance management systems, which analyse data, track progress and identify actions. In addition, there is regular performance information which is provided to the Committee, IJB members, and operational managers, and is publicly reported.

The latest performance data on the specific area of poor performance with delayed discharge is showing improvements, reflecting the targeted work being done to address this. As the Board moves into remobilisation and recovery from the pandemic, it will need to take stock of lessons learned and how this will share the design of future service provision.

Inequalities are one of the IJB strategic priorities and therefore central to what they do.

Best Value

It is the duty of the Board to secure **Best Value** as prescribed in Part 1 of the Local Government in Scotland Act 2003. We have a statutory duty to be satisfied that the local government bodies have made proper arrangements for securing BV.

Duty to secure Best Value

1. It is the duty of the IJB to make arrangements which secure Best Value
2. Best Value is continuous improvement in the performance of the IJB's functions
3. In securing Best Value, the IJB shall maintain an appropriate balance among:
 - a) The quality of its performance of its functions
 - b) The cost to the IJB of that performance
 - c) The cost to persons of any service provided by the IJB for them on a wholly or partly rechargeable basis
4. In maintaining that balance, the IJB shall have regard to:
 - a) Efficiency
 - b) Effectiveness
 - c) Economy
 - d) The need to meet the equal opportunity requirements
5. The IJB shall discharge its duties in a way that contributes to the achievement of sustainable development.
6. In measuring the improvement of the performance of an IJB's functions, regard shall be had to the extent to which the outcomes of that performance have improved.

BV arrangements

The IJB has a number of arrangements in place to secure best value. This is evidenced through the updated Strategic Plan 2021-31 and the Annual Performance Reporting.

As noted elsewhere within this report, the IJB has an established governance framework which has seen improvements during 2020/21 and continues to strengthen its leadership team. The IJB is also progressing with its transformation programme. It recognises that it must deliver services within the financial resources available and further work is required to achieve medium to longer term financial sustainability.

Deloitte view – Best Value

The IJB has sufficient arrangements in place to secure best value and has a clear understanding of areas which require further development.

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Performance and Audit Committee and the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA (UK) 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report and Accounts;
- Our internal control observations; and
- Other insights we have identified from our audit.

The scope of our work

Our observations are developed in the context of our audit of the Annual Report and Accounts.

We described the scope of our work in our audit plan.

Use of this report

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

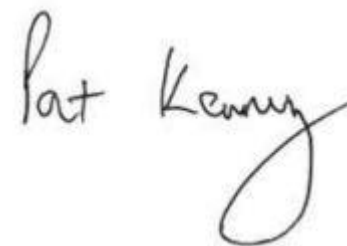
What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the Performance and Audit Committee.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the procedures performed in fulfilling our audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA

For and on behalf of Deloitte LLP

Glasgow | 12 August 2021

Sector developments



Digital transformation

Shaping the future of European healthcare

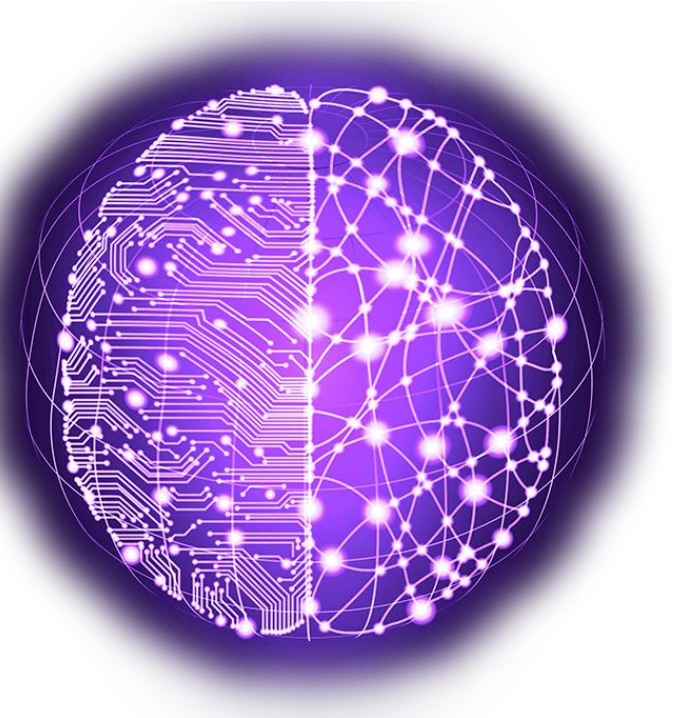
Background and overview

Digital technologies are crucial enablers for bridging the gap between demand for healthcare and the capacity of healthcare services to meet demand. Leveraging the opportunities and efficiencies offered by digital transformation is key for any organisation to remain viable and fit for the future, but for Europe's healthcare services, which are made up of multiple services and organisations, across a range of geographies and jurisdictions, the challenges and solutions are complex.

This is the third report from Deloitte UK's Centre for Health Solution's 'Shaping the future of healthcare' series. While our first two reports focused on the UK, this report surveyed 1,800 clinicians to explore the potential for digital transformation to address the current and future challenges facing healthcare systems in Europe.

Next steps

A summary of the key conclusions are provided on the following pages. The full report is available at [deloitte-uk-shaping-the-future-of-european-healthcare.pdf](https://www.deloitte-uk.com/shaping-the-future-of-european-healthcare.pdf)



Digital transformation (continued)

Shaping the future of European healthcare (continued)

The drivers of digital transformation in healthcare

Healthcare systems across Europe are facing unprecedented pressure. While the quantity and quality of care has improved, the scale and complexity of healthcare needs have grown, together with public expectations of more personalised and convenient services.

At the same time, healthcare staff and resources have become increasingly constrained and the gap between supply and demand has grown. Most countries are looking to digital transformation to close this gap but progress has been slow and the digital maturity of providers, both within and between countries, varies widely.

Over the past six months, the need to respond swiftly to the COVID-19 pandemic has accelerated the use of digital health technologies, but more remains to be done to ensure the equity and sustainability of healthcare.

Perspectives of our survey of clinicians on digital transformation

To explore further, we launched a survey of 1,800 clinicians to assess the use of digital technologies across seven European countries. Its aim was to understand the views of frontline clinicians working across primary and secondary care about the challenges they face and the benefits they are seeing from technology adoption.

When asked about the current state of digitalisation in their country, the most frequently mentioned negative words were 'Slow, Complex and Bureaucratic'. The three most frequently mentioned positive words were 'Fast, Innovative and Efficient'.

Overall, those surveyed were hopeful about the future. The majority of European clinicians feel that it will take less than five years from now to achieve a fully digital healthcare system. Their expectations are also largely positive. The top three words they hope to use to describe the system in five years from now are 'Fast, Efficient, Simple'.

Digital transformation (continued)

Shaping the future of European healthcare (continued)

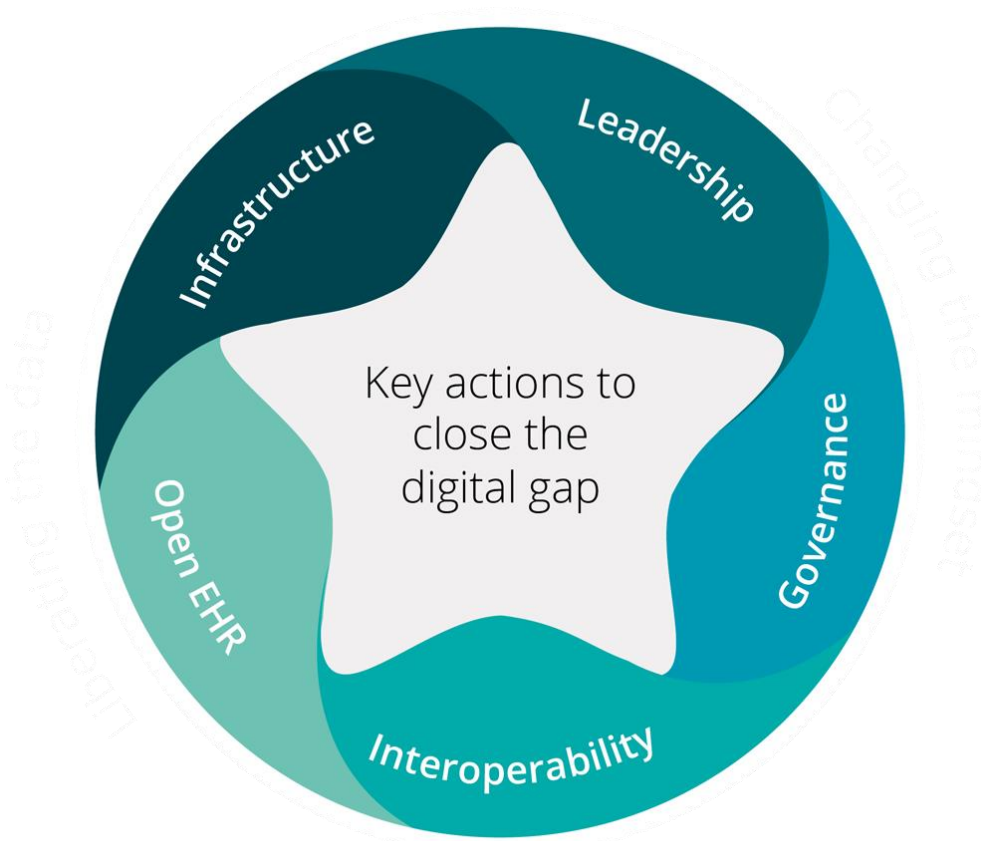
Challenges to digital transformation

Our primary research shows that the benefits from digital transformation adoption vary widely. To realise the benefits, infrastructure, cultural and operational changes are needed including improvements in the education and training of clinicians. They also need to adapt to the fact that patients are becoming better informed and more demanding than in the past.

Responses to the survey identified the top three challenges organisations face in implementing digital technologies as: bureaucracy in healthcare (57.4 per cent), the cost of technologies (50.3 per cent) and finding the right technologies (49.0 per cent).

While the responses were broadly similar across the seven countries, the top three challenges included training staff to use technology among clinicians in Italy and Portugal, and sharing patient data among those in the Netherlands.

Furthermore, majority of clinicians across Europe said that their organisation is 'very well' or 'reasonably well prepared' to adopt digital technologies, with Denmark was most prepared and Germany the least.



Independent review of adult social care

Feeley report

Background and overview

On 1 September 2020 the First Minister announced that there would be an Independent Review of Adult Social Care in Scotland as part of the Programme for Government. The Review was chaired by Derek Feeley, a former Scottish Government Director General for Health and Social Care and Chief Executive of NHS Scotland. Mr Feeley was supported by an Advisory Panel of Scottish and international experts.

The principal aim of the review was to recommend improvements to adult social care in Scotland, primarily in terms of the outcomes achieved by and with people who use services, their carers and families, and the experience of people who work in adult social care. The review took a human-rights based approach.

The Independent Review concluded at the end of January 2021 and its report, together with an accompanying short film, was published on 3 February 2021.

Next steps

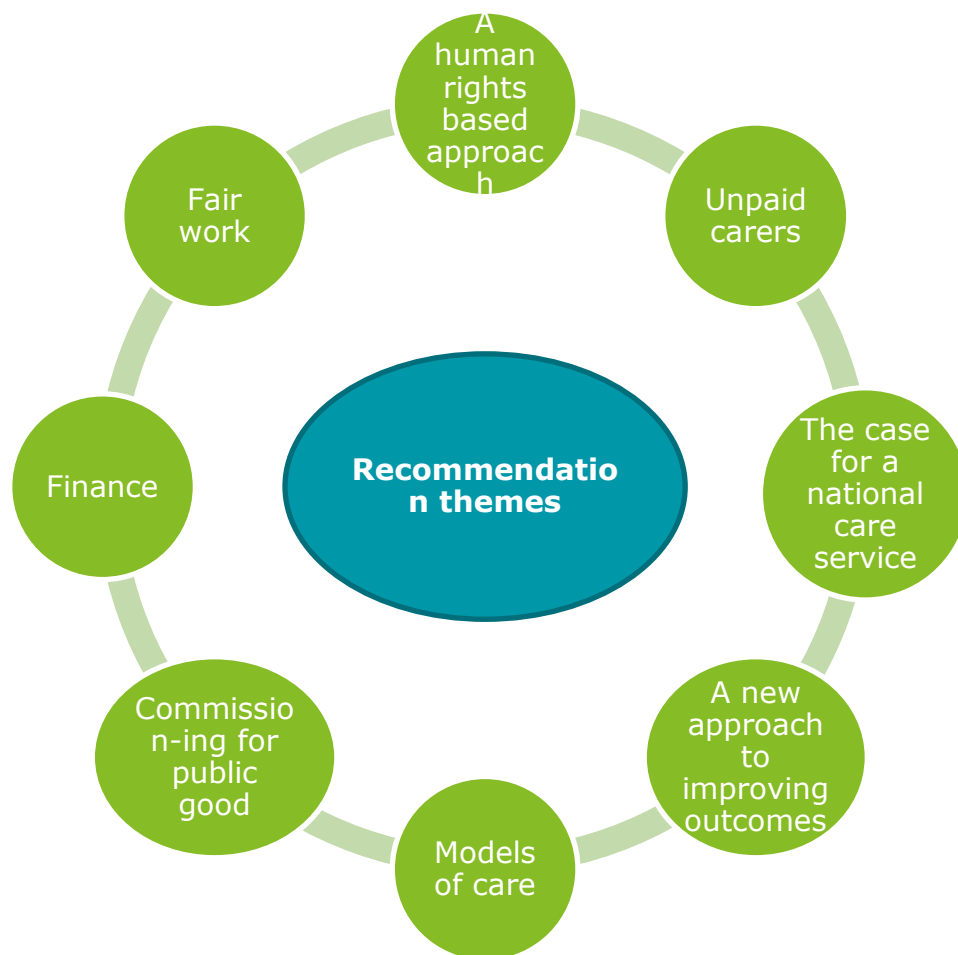
The review concluded that there are three things that must change in order to secure better outcomes – 1. Shift the paradigm, 2. strengthen the foundations and 3. redesign the system. A summary of the recommendations on the following pages. The full report is available at [Adult social care: independent review - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-petitions/embedded/adult-social-care-independent-review/)



Independent review of adult social care (continued)

Feeley report (continued)

The recommendations within the report cover the following key themes



Appendices



Audit adjustments

Adjusted misstatements

The following adjusted misstatements have been identified up to the date of this report, which we request that you ask management to correct as required by ISAs (UK). The overall impact on the Comprehensive Income and Expenditure Statement is an increase of £411k in net expenditure.

	Debit/(Credit) Comprehensive Income and Expenditure Statement (CIES) £k	Debit/(Credit) in Net Assets £k	Debit/(Credit) prior year Reserves £k	Debit/(Credit) in Income £k	If applicable, control deficiency identified
Misstatements identified in current year					
Reversal of 2019/20 surplus [1]	411k	-	-	-	-
Total	411k	-	-	-	-

[1] As discussed on page 8, we have identified one financial adjustment during our audit relating to reversal of 2019/20 surplus shown as a direct adjustment from General Fund balance within the Movement in Reserves Statement. The net impact on Comprehensive Income and Expenditure Statement from this adjustment is an increase of £411k in net expenditure; however, there is no impact on Closing Reserves amount as the adjustment is a presentation point on the face of the Movement in Reserves Statement, and management has agreed to amend this error in the final version of Annual Report and Accounts.

There were no other adjusted misstatements, unadjusted misstatements, or disclosure misstatements identified during the audit.

Action plan

Follow-up previous year actions

We have followed up the nine wider scope recommendations made in our previous years' audits and are pleased to note that four of the recommendations have been fully implemented and four have been partially implemented. We will continue to monitor these as part of our 2021/22 audit work.

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<i>Financial management - Savings plans</i>	We recommend that the financial monitoring reports clearly set out the progress being made against approved savings. A risk rating could be applied to inform IJB members of any specific areas of concern .	Management accept this recommendation. The financial monitoring reports for 2020-21 have been revised, with a section on approved savings including a (BRAG) risk rating applied. Commentary to be added to explain areas of concern and action being taken.	Chief Finance Officer	31 March 2021	Medium	Fully Implemented (as discussed on pages 19)
<i>Financial sustainability - reserves strategy</i>	The Reserves Strategy should be reviewed, in particular ensuring there is a clear policy for planning for adequate reserves as part of the IJB budget planning. An annual review should then be incorporated into the annual budget setting process.	Management accept this recommendation. We will include a review of the reserves strategy as part of the budget setting process.	Chief Finance Officer	31 March 2021	Low	Fully Implemented (as discussed on page 24)

Action plan (continued)

Follow-up previous year actions (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<i>Financial sustainability – medium term financial planning</i>	Details transformation plans need to be developed and implemented at pace to ensure that the projected efficiencies are achieved. The IJB must ensure that sufficient resources are in place to manage this plan, and have a clear benefits tracker in place to demonstrate that the transformation initiatives are achieving the desired results, as recommended in our 2018/19 report.	Management accept this recommendation. Following the recent approval of the Medium Term Financial Strategy, transformation plans will be created this year with a benefits tracker to ensure plans are meeting the desired outcomes.	Chief Finance Officer	31 March 2021	High	<p>Partially implemented</p> <p>Updated management comment: Transformation plans developed in line with Project Charters completed in relation to Transformation activities, measurements identified and teams are in process of collating data to measure actual progress against target.</p> <p>Appendix 4 in the IJB Budget 21-22 details the Transformation Programme.</p> <p>Revised target: 31 March 2022</p>

Action plan (continued)

Follow-up previous year actions (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
						Partially implemented
<i>Governance and scrutiny arrangements</i>	<p>The areas identified from the review of the Integration Scheme must be progressed during 2020/21.</p> <p>The IJB should continue to review all governance documents to ensure they are up to date and fit for purpose.</p>	<p>Management accept this recommendation. The new members of the SMT will enable progression of the actions outstanding from MSG recommendations. Directions work on the set aside budget will be progressed during the year with the Ayrshire CFO's.</p>	Chief Officer/Chief Finance Officer	31 March 2021	Medium	<p>Updated management comment: Issues emerging from the review of the Integration Scheme have been addressed in part including the status of Children's services. Action in relation to the remaining issues associated with funding have been delayed first by response to Covid-19 pandemic and more recently decision has been made to await consultation on future of integrated services following the publication of the Independent Review of Adult Social Work Services</p> <p>Revised target: 31 March 2022</p>

Action plan (continued)

Follow-up previous year action plans (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<p><i>Governance and scrutiny - Openness and transparency</i></p>	<p>The IJB should complete its review of the circumstances around the Kyle Day Centre case to further examine and strengthen a number of governance processes including those associated with public consultation and the decision-making relationships between the IJB and Council governance structures. Lessons learned should be reported back to the IJB. Internal Audit should also consider this in future audit programmes. Internal Audit have already built this into their 2020/21 internal audit plan.</p>	<p>Management accept this recommendation. This will be progressed during the year with new revised guidance to be approved by IJB.</p>	<p>Chief Officer</p>	<p>31 March 2021</p>	<p>High</p>	<p><i>Partially implemented</i></p> <p><i>Updated management comment:</i> The IJB has embarked on a full review of the Learning Disability Strategy. The review will include consideration of how day services might respond in future to the emerging patterns of need for people with a learning disability, taking particular account of the experience during the Covid-19 crisis.</p> <p><i>Revised target:</i> 31 March 2022</p>

Action plan (continued)

Follow-up previous year action plans (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<i>Value for money – regulator review</i>	The action plan from the SCRs needs to be taken forward by the strategic leadership team, providing appropriate resources and support to ensure that the actions can progress and ensure the actions implemented are sustainable in the longer term.	Management accept this recommendation. This will be progressed during the year when specific resources are available. Delay is expected this year due to resources focusing on the Covid-19 response.	Chief Officer	31 March 2021	High	<i>Fully implemented</i> <i>Updated management comment:</i> Good progress has been made in relation to the specific requirements of the SG SCR. The progress continues to be monitored by the COG on a routine basis. This should now be viewed as a routine area of activity.

Action plan (continued)

Follow-up previous year action plans (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2020/21 Update
<i>Review of Governance Arrangements</i>	The key governing documents should be reviewed and refreshed on a periodic basis in line with the Public Bodies (Joint Working) (Scotland) Act 2014 and to ensure that they are still fit for purpose.	Management accept this recommendation. This will be progressed as part of the review of the Integration Scheme during 2019/20.		31 March 2020		
	We understand that in response to the financial challenges that have arisen in 2018/19, there is a general consensus that a comprehensive review of the governance structure is required to clarify the inter-relationship with the NHS and Council and where responsibilities lie. This should be done as part of the review of the Integration Scheme	Updated management response 2019/20: Resources are now in place to progress revision and review of the current Governance documents.	Chief Officer	(Revised 31 March 2021)	High	Fully implemented

Action plan (continued)

Follow-up previous year action plans (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority	2019/20 Update
Budgeting process	<p>We recommended the following improvements to the budget setting process:</p> <ul style="list-style-type: none"> • There needs to be a link between the budgeted spend and the IJB's priorities as set out in the Strategic Commissioning Plan. • There needs to be improved links between the budget and outcomes: there is no information of the outcomes the IJB expects to be progressed (and to what extent) by the budget, which makes it difficult for the IJB to assess to what extent budgetary decisions are impacting on outcomes achieved. 	<p>We agree with the recommendation and would welcome further discussion and advice on how to best implement this.</p> <p>Updated management response 2019/20: Improvements have been made in budget setting and linking to Strategic Priorities. The link between budgets and outcomes is not easily identifiable. Further discussion required.</p>	Chief Officer/ Chief Finance Officer	31 March 2020 (Revised 31 March 2021)	Medium	<p>Partially implemented</p> <p>Updated management response: This is a National issue linking budgets to outcomes, as budgets can meet various outcomes and spend is not directly identifiable to specific outcomes. The budgets are set by cost centres within specific service areas, any investment or savings are linked to strategic priorities in the budget setting process. The budget information presented over the last year has focussed more on actual activity and actual spend. We would welcome examples of where IJB's have been able to link budgets to outcomes (discussed further on page 20).</p> <p>Updated target date: March 2022</p>

Our other responsibilities explained

Fraud responsibilities and representations



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you have disclosed to us all information in relation to fraud or suspected fraud that you are aware of and that affects the entity.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in relation to completeness and accuracy of income and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements.

Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation We confirm the audit engagement team, and others in the firm as appropriate, Deloitte LLP and, where applicable, all Deloitte network firms are independent of the South Ayrshire IJB and our objectivity is not compromised.

Fees The audit fee for 2020/21, in line with the expected fee range provided by Audit Scotland, is £27,330, as analysed below:

	£
Auditor remuneration	18,850
Audit Scotland fixed charges:	
Pooled costs	1,790
Contribution to PABV	5,650
Audit support costs	1,040
Total fee	27,330

We have still to assess any impact of the additional COVID-19 testing. Once completed, we will discuss any impact on the fee with management.

No non-audit services fees have been charged for the period.

Non-audit services In our opinion there are no inconsistencies between the FRC's Ethical Standard and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Relationships We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.

We are not aware of any relationships which are required to be disclosed.



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