



Fife Integration Joint Board

**2022/23 Annual Audit Report to Members
of the Fife Integration Joint Board and the
Controller of Audit**

September 2023



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Key messages

Financial statements audit

Audit opinion	Our independent auditor’s report is unqualified and there are no matters which we are required to report by exception.
Key audit findings	<p>We have obtained adequate evidence in relation to the key audit risks identified in our audit plan.</p> <p>We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.</p> <p>The accounting policies used to prepare the financial statements are in line with the Code of Practice on Local Government Accounting (the Code) and are considered appropriate.</p> <p>All material disclosures required by relevant legislation and applicable accounting standards have been made appropriately.</p> <p>The IJB had appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers.</p>
Audit adjustments	<p>We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.</p> <p>We identified some disclosure and presentational adjustments during our audit. These have been reflected in the final set of financial statements.</p>
Accounting systems and internal controls	<p>We have applied a risk-based methodology to the audit. This approach requires us to document, evaluate and assess the IJB’s processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we include these in this report. No material weaknesses or significant deficiencies were noted.</p>

Wider scope audit

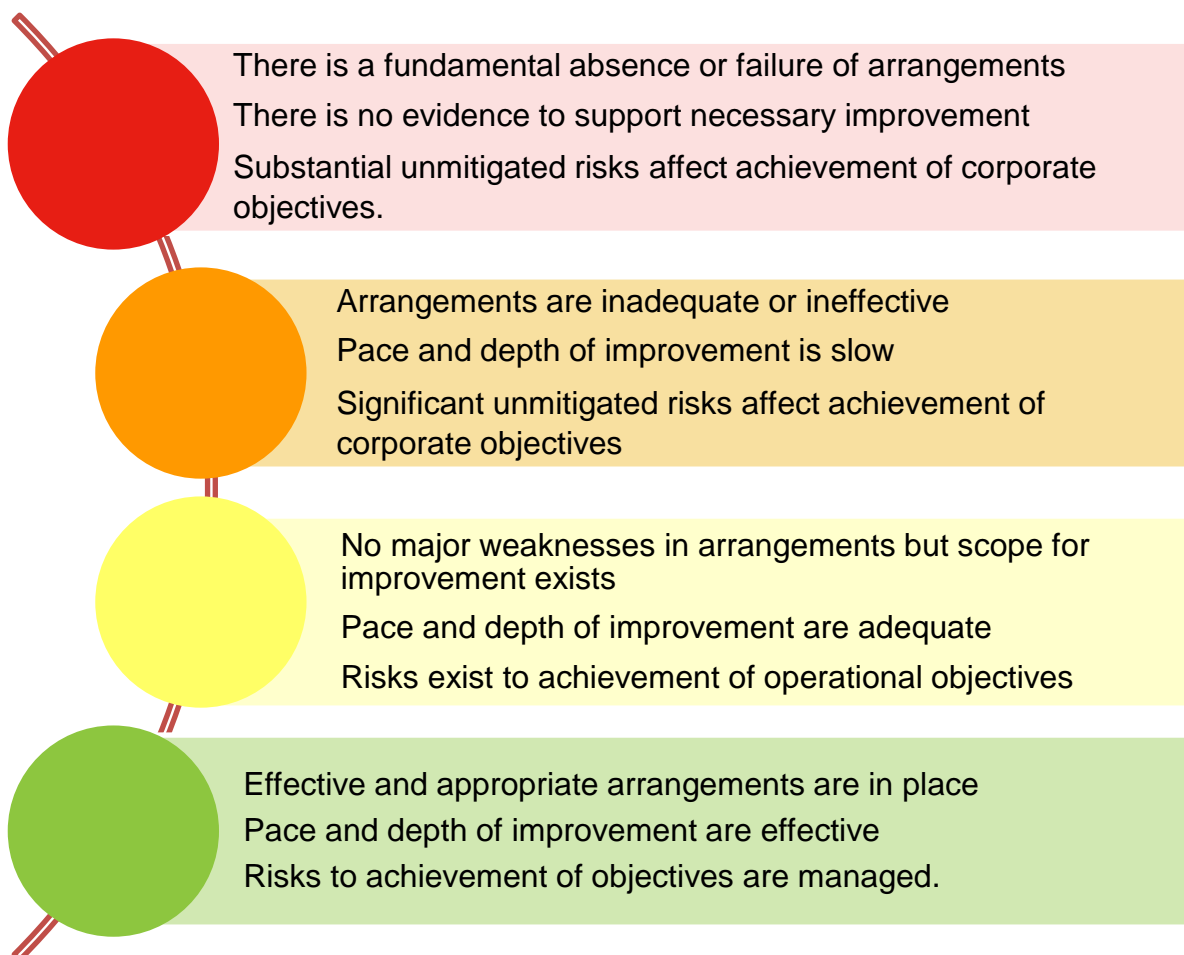
<p>Financial Management</p> <p>Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Auditor judgement</p> <p>Risks exist to achievement of operational objectives </p> <hr/> <p>The IJB has appropriate arrangements in place for financial management which incorporate a collaborative approach with partner bodies.</p> <p>The IJB reported a deficit of £21.587million in 2022/23, largely as a result of a significant reduction in additional funding being made available by the Scottish Government to cover COVID-19 expenditure. Savings of £2.513million of the £3.794million savings target were delivered in 2022/23 and the savings not delivered will need to be achieved in 2023/24.</p> <p>We identified no significant weaknesses in accounting and internal control systems during our audit.</p>
<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.</p>	<p>Auditor judgement</p> <p>Significant unmitigated risks affect achievement of corporate objectives </p> <hr/> <p>The IJB has appropriate arrangements in place for short and medium term financial planning. The IJB continues to work towards the achievement of a long term sustainable financial position.</p> <p>The IJB is forecasting a cumulative budget gap of £34.704million over the period 2023/24 to 2025/26. This budget gap is set alongside the delivery of a savings target of £21.437million in 2023/24, rising to £34.900million in 2025/26.</p> <p>The IJB will continue to face challenges over the next few years in achieving a balanced financial position due to risk and uncertainty in relation to funding levels, delivery of savings targets and more general pressures on the health and social care service. The IJB's ability to develop and maintain its core services and new initiatives in a sustainable manner remains a significant risk and requires continuing careful management and oversight.</p>

<p>Vision, Leadership and Governance</p> <p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Auditor judgement</p> <p>Effective and appropriate arrangements are in place </p> <hr/> <p>Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the IJB continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.</p> <p>Our assessment has been informed by a review of the corporate governance arrangements in place and the information provided to the Board and Committees.</p> <p>The IJB’s Strategic Plan for Fife 2023-2026 was approved by the Board in January 2023. Appropriate arrangements are in place to oversee the delivery of the strategy and the IJB has committed to develop performance metrics for the delivery plan to measure progress alongside the refreshed performance framework.</p>
<p>Use of Resources to Improve Outcomes</p> <p>Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.</p>	<p>Auditor judgement</p> <p>Risks exist to achievement of operational objectives </p> <hr/> <p>Whilst an established and appropriate performance management framework is in place at the IJB, the pandemic has exacerbated what were already tough core service delivery challenges.</p> <p>A refreshed performance framework is due to be presented to the IJB in November 2023 with a focus on the need to drive service improvement efficiently and effectively.</p> <p>The IJB has recognised that transformational service redesign and the effective use of resources will be essential to medium and long term performance improvement and sustainability.</p> <p>A Workforce Strategy 2022-25 was approved by the IJB in November 2022, accompanied by action plans and supporting governance arrangements. Appropriate arrangements are in place to oversee the delivery of the Workforce Strategy 2022-25, however,</p>

underspends in core areas continue to be mostly attributable to staffing vacancies. We acknowledge that workforce plans have not been implemented for a full year. We will continue to monitor the delivery of the IJB's workforce plans to fully assess the impact which these are having on addressing workforce challenges.

Definition

We use the following gradings to provide an overall assessment of the arrangements in place as they relate to the wider scope areas. The text provides a guide to the key criteria we use in the assessment, although not all of the criteria may exist in every case.



Introduction

The annual audit comprises the audit of the financial statements and other reports within the annual accounts, and the wider scope responsibilities set out in the Code of Audit Practice.

We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Assurance Committee at the outset of our audit. We have not made any subsequent changes to the risks outlined in that plan.

Responsibilities

The IJB is responsible for preparing its annual accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on, the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to thank all management and staff for their co-operation and assistance during our audit.

Auditor independence

International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent, and our objectivity has not been compromised in any way.

We set out in Appendix 1 our assessment and confirmation of independence.

Adding value

All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. We add value by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way we aim to promote improved standards of governance, better management and decision making and more effective use of public money.

Any comments you may have on the service we provide would be greatly appreciated. Comments can be reported directly to any member of your audit team.

Openness and transparency

This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Financial statements audit

Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusions to inform our opinion are set out in this section of our annual report.</p>	<p>The annual accounts were considered by the Audit and Assurance Committee on 13 September 2023 and approved by the Board on 29 September 2023.</p> <p>Our independent auditor’s report is unqualified in all regards.</p> <p>We received the unaudited annual accounts and supporting papers of a good standard in line with our audit timetable. Further information and revisions were provided promptly where required. Our thanks go to staff at the IJB for their assistance with our work.</p>
Going concern basis of accounting	<p>When assessing whether the going concern basis of accounting is appropriate, the anticipated provision of services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the IJB’s functions.</p> <p>Our wider scope audit work considers the financial sustainability of the IJB.</p>	<p>We reviewed the financial forecasts for 2023/24. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the IJB will continue to operate for at least 12 months from the signing date. Our audit opinion is unqualified in this respect.</p>

Opinion	Basis for opinion	Conclusions
<p>Opinions prescribed by the Accounts Commission:</p> <ul style="list-style-type: none"> • Management Commentary • Annual Governance Statement • The audited part of the Remuneration Report 	<p>We plan and perform audit procedures to gain assurance that the management commentary, annual governance statement and the audited part of the remuneration report are prepared in accordance with:</p> <ul style="list-style-type: none"> • statutory guidance issued under the Local Government in Scotland Act 2003 (management commentary); • the Delivering Good Governance in Local Government: Framework (Annual Governance Statement); and • The Local Authority Accounts (Scotland) Regulations 2014 (remuneration report) 	<p>The management commentary contains no material misstatements or inconsistencies with the financial statements</p> <p>We have concluded that:</p> <ul style="list-style-type: none"> • the information given in the management commentary is consistent with the financial statements and has been properly prepared. • the information given in the annual governance statement is consistent with the financial statements and our understanding of the organisation gained through the audit. • the audited part of the Remuneration Report has been properly prepared.
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> • adequate accounting records have not been kept; or • the financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit. 	<p>We have no matters to report.</p>

An overview of the scope of our audit

The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Assurance Committee in March 2023. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk (the significant risk areas). Planning is a continuous process, and our audit plan is subject to review during the course of the audit to take account of developments that arise.

In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

Significant risk areas and key audit matters

Significant risks are defined by auditing standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. Audit procedures were designed to mitigate these risks.

As required by the Code of Audit Practice and the Planning Guidance issued by Audit Scotland, we consider the significant risks for the audit that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team (the 'Key Audit Matters'), as detailed in the tables below.

Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures.

Our opinion on the annual accounts is not modified with respect to any of the risks described below.

Significant risks at the financial statement level

These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Risk area	Management override of controls
<p>Significant risk description</p>	<p>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.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk.</p> <p>This was considered to be a significant risk and Key Audit Matter for the audit.</p> <p>Inherent risk of material misstatement: Very High</p>
<p>How the scope of our audit responded to the significant risk</p>	<p>Key judgement</p> <p>There is the potential for management to use their judgement to influence the financial statements as well as the potential to override controls for specific transactions.</p> <p>Audit procedures</p> <ul style="list-style-type: none"> • Agreed balances and transactions to Fife Council and NHS Fife financial reports/ledger/correspondence. • Received assurances from constituent body auditors in relation to financial information provided, controls in place and results of testing at constituent bodies. • Reviewed financial monitoring reports during the year. • Reviewed the consolidation adjustments made to arrive at figures in IJB accounts. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<p>Key observations</p>	<p>We did not identify any indication of management override of controls from our audit work. We did not identify any areas of bias in key judgements made by management. Key judgements were consistent with prior years.</p>

Significant risks at the assertion level for classes of transaction, account balances and disclosures

Key risk area	Fraud in revenue recognition
Significant risk description	<p>Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk on every audit unless it can be rebutted.</p> <p>The presumption is that the IJB could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.</p> <p>Income recognised in the IJB's accounts are contributions received from the IJB's funding partners. Given the nature of this income we have rebutted this risk.</p> <p>This was considered to be a Key Audit Matter for the audit.</p>

Key risk area	Fraud in non-pay expenditure
Significant risk description	<p>As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>As the IJB commissions services from the constituent bodies, the IJB does not exercise operational control of the staff and assets to deliver the services itself. The cost of commissioning the services is the expenditure recognised by the IJB rather than the expenditure incurred in delivering the services.</p> <p>Given the nature of expenditure reported in the IJB's annual accounts we have therefore rebutted this risk.</p> <p>This was considered to be a Key Audit Matter for the audit.</p>

Other identified risks

Accounting treatment for recovery of COVID-19 reserves

In 2021/22 NHS Fife received additional COVID-19 funding of £95million of which £59million was passed to the IJB. As at 31 March 2022, £35.993million was held as an IJB earmarked reserve.

The Scottish Government notified health boards and integrated authorities of its intention to recover part of this funding, including £21million of the COVID-19 earmarked reserves in the IJB. To achieve this, NHS Fife provided reduced funding contributions to the IJB to allow utilisation of the reserves balance.

We have reviewed the accounting treatment and disclosures in the financial statements with no exceptions noted.

Cost of activities commissioned

In the 2021/22 annual accounts, a £3.250million adjustment was made to reflect transactions between NHS Fife and Fife Council in relation to funding and reserves which were not fully adjusted in the IJB Accounts. A recommendation was raised, by the predecessor auditors, to ensure that payments between constituent bodies are reconciled to consolidation adjustments made when preparing the IJB annual accounts.

Based on the audit work performed, we are satisfied that appropriate reconciliations have been prepared and adjustments made to the IJB accounts reflect transactions between NHS Fife and Fife Council.

Materiality

Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile the IJB and the needs of users. We review our assessment of materiality throughout the audit.

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to the IJB and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Our initial assessment of materiality for the IJB financial statements was £9.500million. On receipt of the unaudited financial statements, we reassessed materiality and updated it to £10.700million. We consider that our assessment has remained appropriate throughout our audit.

	Materiality £million
Overall materiality for the financial statements	10.700
Performance materiality	8.025
Trivial threshold	0.250

Materiality	<p>Our assessment is made with reference to the IJB’s cost of delegated services. We consider this to be the principal consideration for the users of the annual accounts when assessing financial performance.</p> <p>Our assessment of materiality equates to approximately 1.5% of the IJB’s cost of delegated services as disclosed in the 2022/23 unaudited annual accounts.</p> <p>In performing our audit, we apply a lower level of materiality to the audit of the Remuneration Report. Our materiality is set at £5,000.</p>
Performance materiality	<p>Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.</p> <p>Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.</p>
Trivial misstatements	<p>Trivial misstatements are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>

Audit differences

We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.

We identified disclosure and presentational adjustments during our audit which have been reflected in the final set of financial statements and are disclosed in Appendix 2.

Internal controls

As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these in this report. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

We did not identify any significant control weaknesses during our audit.

Follow up of prior year recommendations

We followed up on progress in implementing actions raised by the predecessor auditor in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 3.

Other communications

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the IJB.

The accounting policies, which are disclosed in the financial statements, are in line with the Code and are considered appropriate.

There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.

Key judgements and estimates

As part of the planning stages of the audit we sought all accounting estimates made by management and determined which of those are key to the overall financial statements. Management did not identify any accounting estimates. We considered this appropriate to the annual accounts.

In addition, we are satisfied with the appropriateness of the accounting judgements used in the preparation of the financial statements.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management and the Audit and Assurance Committee. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the IJB. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations.

Written representations

We have presented the final letter of representation to the Chief Finance Officer to sign at the same time as the financial statements are approved.


Related parties



We are not aware of any related party transactions which have not been disclosed.

Wider Scope

Overall Conclusion

We recognise the significant challenges which the IJB faces due to the environment in which it operates including funding, workforce and performance risks and challenges. The significance of these risks reflects the gradings which have been provided for each wider scope area however, we are satisfied that the IJB has appropriate arrangements in place to manage and mitigate these risks under each wider scope area.

<p>Financial Management Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>Auditor judgement</p> <p>Risks exist to achievement of operational objectives</p> 
	<p>The IJB has appropriate arrangements in place for financial management which incorporate a collaborative approach with partner bodies.</p> <p>The IJB reported a deficit of £21.587million in 2022/23, largely as a result of a significant reduction in additional funding being made available by the Scottish Government to cover COVID-19 expenditure. Savings of £2.513million of the £3.794million savings target were delivered in 2022/23 and the savings not delivered will need to be achieved in 2023/24.</p> <p>We identified no significant weaknesses in accounting and internal control systems during our audit.</p>

<p>Financial sustainability</p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services and the way in which they should be delivered.</p>	<p>Auditor judgement</p> <p>Significant unmitigated risks affect achievement of corporate objectives </p> <hr/> <p>The IJB has appropriate arrangements in place for short and medium term financial planning. The IJB continues to work towards the achievement of a long term sustainable financial position.</p> <p>The IJB is forecasting a cumulative budget gap of £34.704million over the period 2023/24 to 2025/26. This budget gap is set alongside the delivery of a savings target of £21.437million in 2023/24, rising to £34.900million in 2025/26.</p> <p>The IJB will continue to face challenges over the next few years in achieving a balanced financial position due to risk and uncertainty in relation to funding levels, delivery of savings targets and more general pressures on the health and social care service. The IJB’s ability to develop and maintain its core services and new initiatives in a sustainable manner remains a significant risk and requires continuing careful management and oversight.</p>
<p>Vision, Leadership and Governance</p> <p>Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>Auditor judgement</p> <p>Effective and appropriate arrangements are in place </p> <hr/> <p>Governance arrangements throughout the year were found to be satisfactory and appropriate. We are satisfied that the IJB continued to receive sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.</p> <p>Our assessment has been informed by a review of the corporate governance arrangements in place and the information provided to the Board and Committees.</p> <p>The IJB’s Strategic Plan for Fife 2023-2026 was approved by the Board in January 2023. Appropriate arrangements are in place to oversee the delivery of the strategy and the IJB has committed to develop performance metrics for the delivery plan to measure progress alongside the refreshed performance framework.</p>

Use of Resources to Improve Outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.

Auditor judgement

Risks exist to achievement of operational objectives



Whilst an established and appropriate performance management framework is in place at the IJB, the pandemic has exacerbated what were already tough core service delivery challenges.

A refreshed performance framework is due to be presented to the IJB in November 2023 with a focus on the need to drive service improvement efficiently and effectively.

The IJB has recognised that transformational service redesign and the effective use of resources will be essential to medium and long term performance improvement and sustainability.

A Workforce Strategy 2022-25 was approved by the IJB in November 2022, accompanied by action plans and supporting governance arrangements. Appropriate arrangements are in place to oversee the delivery of the Workforce Strategy 2022-25, however, underspends in core areas continue to be mostly attributable to staffing vacancies. We acknowledge that workforce plans have not been implemented for a full year. We will continue to monitor the delivery of the IJB's workforce plans to fully assess the impact which these are having on addressing workforce challenges.

Financial management

Financial performance 2022/23

The IJB reported total expenditure of £715.756million in delivering health and social care services to the people of Fife in 2022/23 (2021/22: £654.361million). An overall deficit of £21.587million (2021/22: surplus of £50.069million) was reported, largely as a result of a significant reduction in additional funding being made available by the Scottish Government to cover COVID-19 expenditure.

The outturn position as at 31 March 2023 for the services delegated to the IJB was as follows:

	Budget £000	Actual £000	Variance £000
Delegated and Managed Services	648,001	669,588	21,587
Set Aside Acute Services	46,168	46,168	-

There was an overspend on the set aside acute services of £5.275million but these costs were borne by NHS Fife.

Within the deficit position of £21.587million, the core underspend was £8.463million.

The main areas of underspend within the Delegated and Managed Services are:

- Community Services £7.776million
- Older People Nursing & Residential £3.061million
- Adults Fife Wide £2.779million
- Adults Supported Living £4.745million

The IJB has acknowledged that underspends in core areas are mostly attributable to staffing vacancies, many of which continue to be difficult to recruit. Work is ongoing to review the skill mix in a bid to successfully recruit to vacant posts, as described in the section on use of resources to improve outcomes below.

Partnership working

The IJB approved a budget for core services of £627.414million for 2022/23. The budget was supported by additional allocations amounting to £20.587million provided from partners throughout the year for specific agreed projects.

The IJB takes an integrated approach to financial planning and has continued to work closely with both partner organisations to discuss budget monitoring, budget gaps and required resources throughout 2022/23.

Work is ongoing by the IJB to develop a consistent one-system approach to preparing financial information to reduce the risks associated with inconsistencies in partner body approaches to financial reporting. Portfolio meetings have commenced which include members of the IJB, NHS Fife and Fife Council's finance team, down to the accountant level, which meet approximately every four to seven weeks to discuss the IJB's budget, savings and updates on factors which influence partner body's financial positions in a more collaborative way.

Savings plan

In March 2022, the Board approved a balanced budget for 2022/23 through planned delivery of £3.794million previously unachieved savings. Savings of £2.513million were delivered in 2022/23 by services, however £1.281million were not met on a recurring basis. This means that the remaining savings will need to be achieved again in 2023/24. Temporary in-year savings and the use of uncommitted reserves compensated for this shortfall in the achievement of savings.

The table below shows performance against the approved savings plan. The main areas that were not achieved relate to re-provision of care and resource scheduling (Total Mobile).

Exhibit 1: 2022/23 savings plan

Savings Proposal	Target £m	Actual £m	(Under)/over achieved £m
MORSE (Saving reduced on perm basis in budget setting by 0.400m)	0.800	0.400	(0.400)
Bed Based Model	0.200	0.200	0.000
Managed General Practice Modelling	0.200	0.000	(0.200)
Managed General Practice Modelling (Temp substitute)		0.200	0.200
Review of respite services	0.070	0.070	0.000
Review of Alternative travel arrangements- Service Users	0.174	0.000	(0.174)

Savings Proposal	Target £m	Actual £m	(Under)/over achieved £m
Review of Alternative travel (Temp Substitute vacancies)		0.174	0.174
Resource Scheduling (Total Mobile)	0.750	0.000	(0.750)
Procurement Strategy	0.200	0.033	(0.167)
Procurement Strategy (Temp Substitute- Adults Fieldwork temp vacancies)		0.167	0.167
Re-provision of Care	1.400	0.394	(1.006)
Re-provision of Care (Temp Substitute for Adults saving- vacancies in Supported Living)		0.875	0.875
Total	3.794	2.513	(1.281)

Source: Finance Report Provision Outturn as at March 2023- May 2023

Financial impact of the COVID-19 pandemic

The impact of the pandemic on the IJB's finances has been closely monitored throughout the year. NHS Fife has continued to submit regular and timely information to the Scottish Government through Local Mobilisation Plans, reflecting the impact on both its own services and those of the Health and Social Care Partnership. These returns provided the necessary information to determine the additional cost and funding required to support the COVID-19 response.

The Scottish Government committed a further £619million of funding to integrated authorities in February 2022. The IJB's share of this funding amounted to £59million million. Scottish Government set the expectation that no new funding would be made available from 2022/23 to support integrated authorities and health bodies' response to COVID-19. As a result, permission was given for any associated funding not fully utilised in 2021/22 to be carried forward to 2022/23. As at 31 March 2022, £35.993million was held as an IJB earmarked reserve.

During 2022/23 the Scottish Government notified health boards and integrated authorities of its intention to recover part of this funding. The IJB returned £21.487million of the COVID-19 earmarked reserves to the Scottish Government.

The remaining balance on the COVID-19 earmarked reserve (£14.506million) was fully utilised to fund £15.588million of COVID-19 expenditure in 2022/23. In addition, the Scottish Government provided additional funding of £1.082million in May 2023 to cover the remaining balance of COVID-19 expenditure incurred by the IJB in 2022/23.

As a result of the return of COVID-19 reserves and the use of reserves to compensate for the under achievement of the 2022/23 savings target, the IJB's closing reserves balance for 2022/23 has reduced by £41.993million to £37.719million.

Exhibit 2: Breakdown of 2022/23 COVID-19 expenditure

Category of Resource	£m
Vaccinations	6.041
Workforce and Capacity	4.549
PPE. Equipment	0.66
Community Capacity	1.772
Sustainability payments to providers	2.528
Other	0.038
Total COVID-19 Costs	15.588

Source: Finance Report Provision Outturn as at March 2023- May 2023

Prevention and detection of fraud and irregularity

The IJB does not directly employ staff and so places reliance on the arrangements in place within Fife Council and NHS Fife for the prevention and detection of fraud and irregularities. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by the partner bodies. Overall, we found arrangements to be sufficient and appropriate.

Financial sustainability

Significant audit risk

Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability

The 2023/24 budget is due to be approved by the IJB in March 2023. The draft forecasts identify a cumulative funding gap of £35million for the period 2023/24 to 2025/26. Discussions are ongoing with partner bodies to determine the level of financial gap over the medium term and the position will be finalised on confirmation of both partner's funding contributions. The IJB's financial planning is underpinned by its Medium Term Financial Strategy (MTFS). The MTFS is currently being revised to reflect the new and additional pressures that will face the IJB including the continued impact of the economic crisis, the ageing population and the COVID-19 pandemic. The refreshed MTFS is due to be presented to the IJB in 2023/24 and will be aligned to its Strategic Plan 2023-2026. In an environment of heightened financial pressures, increasing demand and the growing need to redesign services, robust and timely financial planning is essential in supporting the sustainability of the IJB in the medium to longer term.

The IJB has a significant reserves balance (£37.387million projected balance at November 2022 of which £6.032million remains uncommitted) but has acknowledged that these cannot be utilised as a sustainable solution to close the medium term budget gap. The IJB recognises that bridging gaps of this magnitude will require major changes to services and how they are delivered and have committed to a focus on service transformation to address the financial challenge in the medium and longer term.

Our detailed findings on the IJB's arrangements for achieving long term financial sustainability are set out below.

2023/24 Financial Plan

The 2023/24 financial plan was presented to the IJB in March 2023 for scrutiny and approval. The financial plan for 2023/24 shows a forecast funding gap of £20.936million.

Delegated budgets from partners total £649.041million for 2023/24 (2022/23: £627.414 million). This represents the first year where no uplifts have been provided for partner bodies' delegated budgets.

In December 2022, the Scottish Government committed to provide additional funding to integrated authorities of £95million which consists of the following:

- Recognition of recurring commitments on adult social care in commissioned services to deliver minimum pay in line with real living wage (£100million)
- An inflationary uplift on free personal nursing care payments (£15million)
- Offset by non-recurring interim care money ending (£20million)

Fife IJB's share of this funding is £8.091million which has been incorporated into the 2023/24 budget.

Set against this, the projected cost of delegated services for 2023/24 is £669.977million, with the most significant increases arising from:

- Pay inflation (£13.444million)
- Pharmacy Inflation @ 4% (£4.121million)
- External providers: living wage and funding requirements (£8.091million)

The IJB continues to monitor financial pressures and risks in the delivery of the financial plan on an ongoing basis through the IJB's Financial Risk Register and finance update reports presented and scrutinised at each Board meeting.

Savings plan

Delivery of savings is a fundamental component of achieving a surplus financial position. For 2023/24, savings of £21.437million were approved by the IJB to bridge the identified 2023/24 gap. The £21.437million savings target represents a level significantly higher than in previous years where the IJB has previously faced challenges delivering savings targets in full. It is important that the IJB closely monitors the delivery of savings identified to ensure that achievement of savings does not impact on its quality of service delivery.

The progress on the medium-term financial strategy paper presented to the July 2023 IJB meeting highlighted that at June 2023, only 67% of 2023/24 savings targets were on track to be delivered or had already been delivered. Reserves of £10million were also agreed as part of the 2023/24 budget to be earmarked to cushion the savings required in year, as many require detailed plans and business cases to be developed before the savings come to fruition. The IJB has acknowledged that the use of reserves is not a sustainable solution, as it only provides a short-term one-off funding, and that they require to undergo transformational change to ensure they remain sustainable.

Exhibit 3: RAG status for 2023/24 savings

RAG status definitions:

- Green- No issues and saving is on track to be delivered
- Amber- There are minor issues or minor reduction in the value of saving, or delivery of the saving is delayed
- Red- Major issues should be addressed before any saving can be realised

RAG Status	Savings Target £m	Forecast £m	(Under)/Over Achievement £m
Green	11.287	11.287	0.000
Amber	4.650	3.150	(1.500)
Red	5.500	0.000	(5.500)
Total	21.437	14.437	(7.000)

Source: Finance Report Projected Outturn as at May 2023- July 2023

Financial impact of the COVID-19 pandemic

The impact of the COVID-19 pandemic continues to have a significant impact on the future finances of the IJB and COVID-19 expenditure is recognised as the highest risk in the Financial Risk Register. The Partnership's financial position was previously monitored via the Local Mobilisation Plan (LMP) and the Scottish Government funded the additional costs. The Scottish Government informed integrated authorities in 2022/23 that there would be no further funding for COVID-19 related expenditure and any recurring costs would be required to be funded from existing budgets.

The IJB has committed to continue to closely monitor COVID-19 expenditure to identify areas of expenditure which can be absorbed into core budgets as the opportunity arises, whilst ensuring that they are continuing to deliver services in line with COVID-19 legislation requirements. We encourage the IJB to review the short and medium term COVID-19 expenditure assumptions within the financial plan regularly to incorporate opportunities to absorb areas of expenditure into core budgets as they arise.

Medium Term Planning

The IJB approved its medium term financial plan (2023/24 to 2025/26) alongside the Medium Term Financial Strategy 2023-2026 (MTFS) in March 2023. The updated MTFS is aligned to the 2023-2026 Strategic Plan, supporting strategies, the workforce strategy and refresh participation and engagement strategy. Key risks and uncertainties set out in the plan include:

- The economic crisis- the cost of inflation, energy and pay costs;
- The ageing population leading to increased demand and increased complexity of demand for services alongside reducing resources;
- Long Covid and the impact on the economy;
- Continuing difficulties in recruitment leading to the use of higher cost locums and agency;
- The Transformation Programme does not meet the desired timescales or achieve the associated benefits; and
- Workforce sustainability both internally in health and social care and with our external care partners.

The financial plan shows a cumulative budget gap of £34.704million over the period 2023/24 to 2025/26 set alongside a challenging savings target of £21.437million in 2023/24, rising to £34.900million in 2025/26.

	2023/24 £million	2024/25 £million	2025/26 £million
Cost of continuing	666.977	682.205	697.793
Pressures	3.000	6.000	9.000
Funding available	649.041	660.503	672.089
Total gap	20.936	27.702	34.704

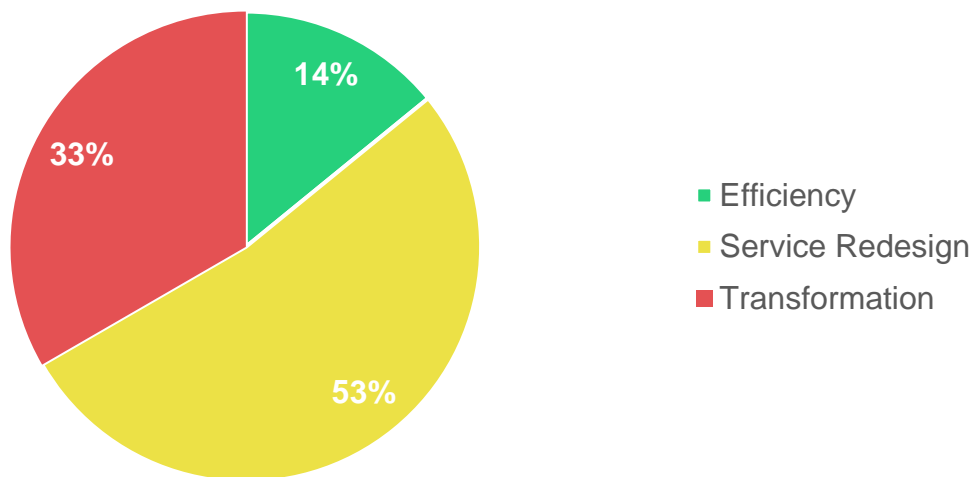
Source: Fife Integration Joint Board Annual Accounts 2022/23

The IJB has recognised that the medium term financial plan presents a very challenging three years and emphasises the need to focus on medium term transformational change to allow delivery of services in the most effective way whilst balancing the budget. To help support the IJB’s commitment to transformational

change, identified savings opportunities for 2023/24 to 2025/26 have been focused on and defined as transformation, service redesign and efficiency.

The progress on the medium-term financial strategy paper presented to the July 2023 IJB meeting highlighted that 53% of approved savings have been categorised as efficiencies in delivery of existing care and mainstream services, 14% as service redesign and 33% as transformation.

Exhibit 4: Medium term identified savings



Source: Progress on the Medium- Term Financial Strategy- July 2023

In addition, all savings opportunities which represent a potential significant transformation in the way services are delivered for the people of Fife or in the Commissioning of Services through Partners have been identified by the IJB as requiring the development of full business cases. At the time of writing, work is ongoing to develop business cases for the four remaining proposals and these are expected to be presented to the IJB for approval in November 2023.

The emerging and uncertain impact on the IJB's finances and ability to deliver services in a sustainable manner remains a significant challenge and risk for 2023/24 and beyond and requires continuing careful management and oversight.

National Care Service (Scotland)

The National Care Service (Scotland) Bill was introduced to Parliament on 20 June 2022. The initial Bill allows Scottish Ministers to transfer responsibility for social care from local authorities and certain healthcare functions from the NHS to a new National Care Service. The Scottish Government has committed to establishing a functioning National Care Service by the end of the parliamentary term in 2026. The

Bill makes provision for the Scottish Ministers to establish and fund new bodies, called “care boards”, to plan and deliver services locally. The relationship between the Scottish Ministers and the care boards is expected to work in a similar way to the current approach taken by IJBs and their partner bodies.

The Bill is currently at stage one of approval where it is being examined by the Health, Social Care and Sport Committee. Stage one of the Bill was due to be completed by March 2023. The Scottish Government announced in June 2023 that stage one of the Bill would be extended to January 2024 to allow them to undertake widespread engagement with people with lived experience, workforce representatives, unions, local government and providers to make the Bill as robust as possible and support improvements to the social care system ahead of the establishment of the National Care Service.

The initial Bill allows Scottish Ministers to transfer responsibility for social care from local authorities and certain healthcare functions from the NHS to a new National Care Service. The Scottish Government has committed to establishing a functioning National Care Service by the end of the parliamentary term in 2026. The Bill makes provision for the Scottish Ministers to establish and fund new bodies, called “care boards”, to plan and deliver services locally. The relationship between the Scottish Ministers and the care boards is expected to work in a similar way to the current approach taken by IJBs and their partner bodies.

The Scottish Government provided an update on the Bill in July 2023. This highlighted potential amendments to the Bill due to an initial consensus proposal between the Scottish Government and Cosla. The proposal agreed was to form a partnership approach and overarching shared accountability care system with Scottish Ministers, local authorities and NHS Boards. In addition, the update proposed that local authorities will retain functions, staff and assets.

Due to recognition of the significant impact which the Bill will have on the IJB once it has been passed in parliament, the IJB Chief Officers continue to have regular communication with the Scottish Government.

Vision, leadership and governance

Governance arrangements

The Board of the IJB comprises 16 voting members, nominated by either Fife Council or NHS Fife, as well as non-voting members including a Chief Officer appointed by the Board.

The Board held bi-monthly development sessions during 2022/23. From review of the Board development sessions, we have concluded that it provides those charged with governance with the information and platform to continue to discharge its responsibilities effectively.

The Board is responsible for ensuring the overall governance of the IJB. In driving forward the strategic direction of the IJB and ensuring the governance framework is operating as intended, the Board continues to be supported by three committees:

- Audit and Assurance Committee;
- Quality and Communities Committee; and
- Finance, Performance and Scrutiny Committee

In addition, the Senior Leadership Team (SLT) has established an extended leadership team and are working to establish a 'Team Fife' culture to support a vision of being amongst the best performing Health and Social Care Partnerships by 2025. This is known as Mission 2025. During 2022/23, the IJB continued to develop the Senior Leadership Team and Extended Leadership Team (ELT) to further embed the systems leadership approach and the Mission 2025 ambition across the Partnership.

The IJB's focus for 2023/24 as part of working towards achieving Mission 2025 includes the following initiatives:

- To design and deliver a Leadership Programme aimed at Team Managers and Supervisors across the whole Partnership.
- To lead the design and delivery of the new 'Integrated Leadership Team' (ILT) across the whole Partnership.
- Working with colleagues to drive locality working across all seven localities in Fife, extending the reach further into the Partnership to raise awareness of the importance of a positive culture on staff wellbeing and improved service delivery.
- Developing a Partnership wide online Induction support for new and existing staff.
- Reviewing the Workforce Strategy 2022- 25 to see the context for the Year 2 Workforce Action Plan for 2023/24.

Board and Committee meetings

Committee meetings have continued to be held virtually rather than in person, to date, to comply with requirements for non-essential travel and physical distancing, and the preferred mechanism is through MS Teams, in line with the sector and the IJB's partner bodies. Board meetings adopted a blended approach from May 2023 and development sessions returned to in-person meetings from December 2022.

Throughout 2022/23, the Board has been able to maintain all aspects of board governance, including its regular schedule of Board and Committee meetings.

Through our review of committee papers we are satisfied that there continues to be effective scrutiny, challenge and informed decision making through the financial period.

Strategic Plan for Fife 2023-2026

The IJB approved its Strategic Plan for Fife 2023- 2026 in January 2023. The strategic plan was developed using a partnership approach and aligns to both Fife Council's 'Plan for Fife' and NHS Fife's 'Population Health and Wellbeing Strategy'.

The strategy recognises the challenges currently faced within health and social care including the impact that the COVID-19 pandemic has had on the demand for services, inequalities within the health population and the way in which the IJB has adapted the way it works internally and with partner organisations.

The strategy takes cognisance of the IJB's overarching vision, mission and values, and is structured under five strategic ambitions:

- Local- A Fife where we will enable people and communities to thrive;
- Integration- A Fife where we will strengthen collaboration and encourage continuous improvement;
- Outcomes- A Fife where we will promote dignity, equality and independence,
- Wellbeing- A Fife where we will support early intervention and prevention; and
- Sustainable- A Fife where we will ensure services are inclusive and viable.

In addition, the Strategic Plan 2023-2026 is supported by nine transformational strategies which describe the work that the Partnership intend to carry out over the next three years to deliver its vision of enabling the people of Fife to live independent and healthier lives.

The Strategic Plan 2023 to 2026 Delivery Plan 2023 was approved by the IJB in March 2023 and sets out the programme of work and the improvements that require to be made to further improve health and social care services in Fife. The delivery plan does not include all of the actions being taken by Fife Health and Social Care Partnership in 2023 but acts as a high-level summary which focusses on the delivery

of the strategic priorities identified in the Strategic Plan, and the top five priorities of the relevant supporting strategies.

The Strategic Planning Group has oversight of the delivery plan and provides regular updates on the Strategic Plan and the supporting strategies to the Senior Leadership Team, the Strategic Planning Group, the Quality and Communities Committee and the IJB on a regular basis. This includes flash reports for strategies that are still in development, and supporting documentation including Risk Registers, Equality Impact Assessments, Engagement Overview and delivery plans for strategies that are finalised, and the Annual Performance Report which includes updates on the activities completed over the previous year.

The IJB has committed to develop performance metrics for the delivery plan which will be linked to a RAG status to measure progress and be managed through the Strategic Plan Performance Framework. These are expected to be developed alongside the refreshed performance framework as described in the section on use of resources to improve outcomes below.

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Strategic Plan for Fife 2023-26, and we encourage the IJB to set key performance indicators which align to the Board's strategic ambitions as a matter of priority to support the quantitative assessment and scrutiny of progress.

Risk management

The IJB Risk Management Policy and Strategy (RMPS) was created by the partner bodies in 2016 in line with the Integration Scheme. Following review of the Integration Scheme in March 2022, the RMPS was reviewed and approved by the IJB in March 2023 to align to the Strategic Plan 2023-26, the MTFs and the Partnership's locality plans and to further embed risk management into decision making and operations.

The refresh of the RMPS focused on the following areas of improvements to the IJB's risk management arrangements:

- The development of the IJB's Risk Appetite which was approved by the IJB in July 2023 and will be applied to all Strategic Risks.
- The distinction between processes for IJB strategic risks, and processes for partner operational risks, where these may be shared with IJB members for assurance, information, and awareness.
- The removal of the Corporate risk category which previously blurred the distinction between strategic and operational risks.
- Reflection of the IJB Governance and Health and Social Care Partnership organisational structure changes, including the roles and responsibilities of the Governance Committees. This provides clear lines of responsibility and

accountability in relation to risk management and will support appropriate scrutiny of risk mitigating actions at all key levels of the governance structure.

A delivery plan, linked to the key priorities outlined in the Strategy, was produced by the Risk Management Policy and Strategy Development Short Life Working Group. The plan remains under regular review by the Short Life Working Group and a formal update on progress made on delivery of the plan is due to be presented to the Audit and Assurance Committee in September.

The IJB has committed to review its risk management arrangements on an annual basis to help shape its future risk management priorities and activities, inform subsequent revisions of this policy and strategy and drive continuous improvement in risk management across the IJB.

Internal audit

An effective internal audit service is an important element of the IJB's overall governance arrangements. The IJB's internal audit service is provided by FTF Internal Audit Service. During our audit we considered the work of internal audit wherever possible to inform our risk assessment and our work on the governance statement.

The annual internal audit report was presented to the Audit and Assurance Committee in June 2023. This report confirmed that "Reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2022/23". In addition, internal audit has not advised management of any additional disclosure requirements for the governance statement or any inconsistencies between the governance statement and information they are aware of from its work.

Use of resources to improve outcomes

Performance Management Arrangements

Performance management framework

The IJB has developed a performance management framework which comprises key performance indicators (KPIs) including national, local and management performance targets which are reported to each second meeting of the Finance, Performance and Scrutiny Committee. Every other meeting of the Finance, Performance and Scrutiny Committee is used to deeper dive into areas of poor performance.

Performance reports are also presented to each meeting of the Board. These reports focus on more detailed considerations of the areas of performance that have been provided with a red RAG status as part of the full report presented to the Finance, Performance and Scrutiny Committee. In addition, in line with the requirements of the Public Bodies (Joint Working) Act 2004, the IJB prepares an annual public performance report that considers progress against both the National Health and Wellbeing Outcomes and the key priorities identified within its strategic plan.

The IJB is currently developing a refreshed performance framework which is due to be presented to the Board in November 2023 for approval. The focus of the refreshed framework is on the need to drive service improvement efficiently and effectively, including:

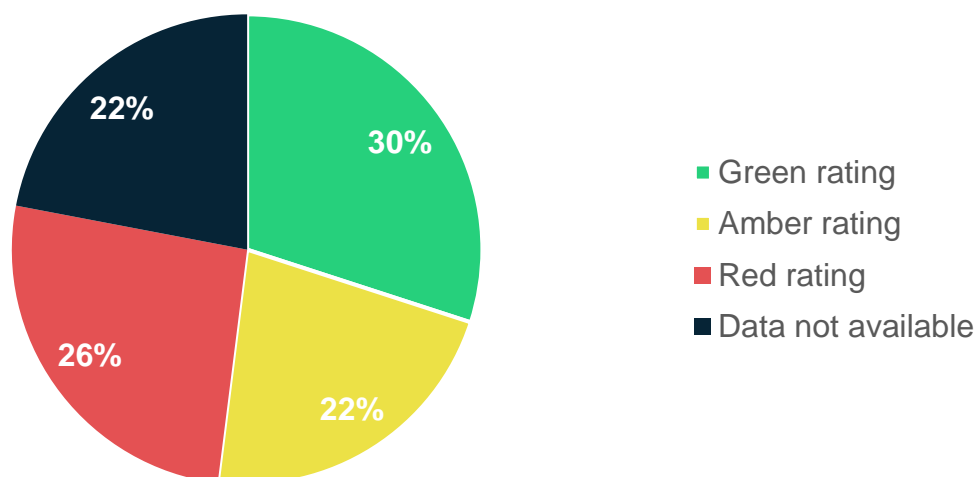
- Making better use of new technology and streamlining reporting arrangements;
- Providing deeper insight into service delivery;
- Underpinning and driving service improvement; and
- Introducing quality management self-assessment tools

Through review of Board papers, we concluded that performance is given the appropriate level of scrutiny and challenge.

Performance in 2022/23

IJB's have been required by the Public Bodies (Joint Working) Act 2004 to report on the core suite of Integration Indicators within their Annual Performance Reports. The 2022/23 annual performance report compares the IJB's performance against 23 core national indicators to the Scottish average. As noted in exhibit 5, there was insufficient data available to conclude on performance for four indicators due to national data being unavailable or no nationally agreed definition for the indicators.

Exhibit 5: National Indicators – Fife’s performance for 2022 to 2023 compared to Scotland rate



Source: Annual Performance Report 2022-23- July 2023

As exhibit 5 demonstrates, performance continues to be mixed compared to the Scottish average. In line with prior year performance, the IJB continues to perform worse than the national average in 13 of the core indicators.

The six indicators where performance was provided a Red RAG rating due to Fife’s performance being below expected levels and there being a statistically significant decline compared to previous performance and/or a decline compared to national performance are as follows:

- NI 6- Percentage of people with positive experience of care at their GP practice (62.8% compared to Scotland rate of 66.5% and prior year comparative of 74.7%);
- NI 8- Percentage of carers who feel supported to continue in their caring role (27.6% compared to Scotland rate of 29.7% and prior year comparative of 34.3%);
- NI 12- Emergency admission rate per 100,000 population (12,590 compared to Scotland rate of 11,155 and prior year comparative of 12,742);
- NI 14- Emergency readmissions to hospital within 28 days of discharge rate per 1,000 discharges (113 compared to Scotland rate of 102 and prior year comparative of 113);
- NI 16- Falls rate per 1,000 population aged 65+ (27.0 compared to Scotland rate of 22.2 and prior year comparative of 27.5); and

- NI 17- Proportion of care services graded 'good' (4) or better in Care Inspectorate inspections (67.2% compared to Scotland rate of 75.2% and prior year comparative of 73.3%).

The IJB has committed to continue to closely monitor performance in these areas and work to improve performance against the Scottish average through the implementation of the Strategic Plan 2023-26, supporting strategies and transformation programmes.

Workforce Planning

The Workforce Strategy 2022-25 was approved by the IJB in November 2022, accompanied by action plans and supporting governance arrangements. The Workforce Strategy was submitted to the Scottish Government in line with set deadlines, and the Scottish Government provided positive feedback on the IJB's strategy especially with regards to the integrated approach which was taken to strategy development and the alignment to both the Partnership's strategy and local policies.

The strategy recognises the challenges currently faced within the workforce and the impact of arising risks to the IJB. The workforce employed by NHS Fife and Fife Council in services delegated to the Health and Social Care Partnership has increased significantly in the previous 5 years, with this growth being most visible since the start of the COVID-19 pandemic. Whilst this has meant a larger whole time equivalent (WTE) resource, this expansion occurred in areas which were responding directly to the pandemic, with other core areas continuing to be challenged by factors such as an aging workforce, increased vacancy levels, and a growing reliance on supplementary staffing.

The IJB's Workforce Strategy 2022-25 outlines the ambitions to enable a range of actions for attracting, developing, supporting, and delivering the recovery, growth and transformation of the workforce. This is critical to Fife's recovery from the COVID-19 pandemic, within the wider context of addressing inequalities and making a continued shift to early intervention and prevention. The IJB recognises the need to attract, recruit and retain skilled staff to build the next generation of its workforce and explore the ways in which it can achieve this through the strategy.

Key stakeholder groups, including current employees and partner bodies have been involved throughout the development of the strategy. The IJB has also recognised the importance of services delivered by colleagues from the third and independence sectors and has ensured their views have also been reflected.

The strategy outlines the IJB's vision and priorities for its workforce and considers the actions needed to deliver a high quality, skilled and sustainable workforce. The strategy takes cognisance of the IJB's overarching Strategic Plan and priorities are aligned under each of the 5 pillars- Plan, Attract, Train, Employ and Nurture our Workforce. For each workforce priority, the IJB has identified a series of specific

actions which are used to inform each year's workforce plan. The Workforce Strategy Group led the development of and will continue to oversee and take forward the delivery of the strategy.

The IJB has committed to review the workforce plan three times a year and to reflect any organisational change and systemic pressures. The risks associated with the delivery of this strategy will also be considered as part of both strategic and operational risk assessment and mitigation processes through risk registers.

Progress in achieving year one of the workforce action plan has been presented to each Workforce Strategy Group. The progress report presented to the May 2023 group meeting highlighted that good progress is being made in relation to delivery of the year one workforce plan with eight actions completed and all but one outstanding action was awarded a Green RAG status.

An annual report on the delivery of year one of the action plans is due to be presented to the IJB in November 2023, alongside the approval of the year two workplan.

Work is ongoing to finalise the actions included within the year two action plan. Agreed actions and areas of focus for the Partnership's workforce includes:

- Implementing phase 2 of mission 2025
- Continuous work on the ability to generate data for decision making across all partners
- Focusing on diversity and inclusion
- Changes to foundation apprenticeships including taking a local approach
- Continued development of the Care academy
- Continued focus on recruitment and retention.

We are satisfied that appropriate arrangements are in place to oversee the delivery of the Workforce Strategy 2022-25.

However, underspends in core areas continue to be mostly attributable to staffing vacancies, as described in the section on financial management. We acknowledge that workforce plans have not been implemented for a full year and as a result we will continue to monitor the delivery of the IJB's workforce plans to fully assess the impact which these are having on addressing workforce challenges.

Best Value

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

The IJB approved a best value framework in 2019 and undertake a review against the best value framework on an annual basis. The position statement for 2022/23 is due to be presented to the IJB in September 2023. Work is ongoing to revise the format of the position statements to include a review of the IJB's activities to demonstrate best value against what they agreed to complete in 2022/23, to be reported alongside the compliance against each best value theme.

Climate Change

The Climate Change (Duties of Public Bodies; Reporting Requirements) (Scotland) Order 2015, came into force in November 2015, requiring all public bodies classed as “major players” to submit a climate change report to the Scottish Government by 30 November each year.

In developing guidance on what the climate change reports should include, the Scottish Government has recognised the unique nature of IJB's and does not expect IJB's to address every aspect of the report in the same way that NHS Boards and Local Authorities are expected to do. In addition, IJB's are not required to respond to the questions on corporate emissions, as these will be addressed by the responses from NHS Fife and Fife Council who are the asset owners.

As a result, the IJB does not have its own climate change strategy but supports the Fife Community Planning Partners Climate Change (Sustainable Energy and Climate Change Action Plan 2020-2030) which was approved by Fife Council's Environment and Protective Services Sub Committee in February 2020.

Actions that can be taken by the IJB to support partners climate change strategies and plans are set out in the Public Sector Climate Change Duties Annual Report which is presented to the Board on an annual basis. The next report is due to be presented to the IJB in November 2023.

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Appendix 1: Responsibilities of the IJB and the Auditor

IJB Responsibilities

The IJB has primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include the following:

Area	IJB responsibilities
Corporate governance	<p>The IJB is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.</p>
Financial statements and related reports	<p>The IJB has responsibility for:</p> <ul style="list-style-type: none"> • preparing financial statements which give a true and fair view of the financial position of the IJB and its expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation; • maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support the balances and transactions in its financial statements and related disclosures; • preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements. Management commentaries should be fair, balanced and understandable. <p>Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the IJB and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.</p> <p>The IJB is responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the</p>

Area	IJB responsibilities
	<p>achievement of its objectives and safeguard and secure value for money from the public funds at its disposal. The IJB is also responsible for establishing effective and appropriate internal audit and risk-management functions.</p>
<p>Standards of conduct for prevention and detection of fraud and error</p>	<p>The IJB is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place</p>
<p>Financial position</p>	<p>The IJB is responsible for putting in place proper arrangements to ensure its financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> • Such financial monitoring and reporting arrangements as may be specified; • Compliance with statutory financial requirements and achievement of financial targets; • Balances and reserves, including strategies about levels and their future use; • Plans to deal with uncertainty in the medium and long term; and • The impact of planned future policies and foreseeable developments on the financial position.
<p>Best Value</p>	<p>The IJB has a specific responsibility to make arrangements to secure Best Value. Best Value is defined as continuous improvement in the performance of the body's functions. In securing Best Value, the local government body is required to maintain an appropriate balance among:</p> <ul style="list-style-type: none"> • The quality of its performance of its functions • The costs to the body of that performance • The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

Area	IJB responsibilities
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In maintaining the balance, the IJB shall have regards to:

- Efficiency
- Effectiveness
- Economy
- The need to meet the equal opportunity requirements.

The IJB should discharge its duties in a way which contributes to the achievement of sustainable development.

Auditor responsibilities

Code of Audit Practice

The Code of Audit Practice (the Code) describes the high-level, principles-based purpose and scope of public audit in Scotland. The [2021 Code](#) came into effect from 2022/23.

The Code of Audit Practice outlines the responsibilities of external auditors appointed by the Auditor General and it is a condition of our appointment that we follow it.

Our responsibilities

Auditor responsibilities are derived from the Code, statute, International Standards on Auditing (UK) and the Ethical Standard for auditors, other professional requirements and best practice, and guidance from Audit Scotland.

We are responsible for the audit of the accounts and the wider-scope responsibilities explained below. We act independently in carrying out our role and in exercising professional judgement. We report to the IJB and others, including Audit Scotland, on the results of our audit work.

Weaknesses or risks, including fraud and other irregularities, identified by auditors, are only those which come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Wider scope audit work

Reflecting the fact that public money is involved, public audit is planned and undertaken from a wider perspective than in the private sector.

The wider scope audit specified by the Code broadens the audit of the accounts to include additional aspects or risks in areas of financial management; financial

sustainability; vision, leadership and governance; and use of resources to improve outcomes.

Financial management



Financial management means having sound budgetary processes. Audited bodies require to understand the financial environment and whether their internal controls are operating effectively.

Auditor considerations

Auditors consider whether the body has effective arrangements to secure sound financial management. This includes the strength of the financial management culture, accountability, and arrangements to prevent and detect fraud, error and other irregularities.

Financial sustainability



Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Auditor considerations

Auditors consider the extent to which audited bodies show regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so it can continue to deliver services.

Vision, leadership and governance

Audited bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.



Auditor considerations

Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. Auditors also consider the effectiveness of governance arrangements for delivery, including openness and transparency of decision-making; robustness of scrutiny and shared working arrangements; and reporting of decisions and outcomes, and financial and performance information.

Use of resources to improve outcomes

Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. This includes demonstrating economy, efficiency and effectiveness through the use of financial and other resources, and reporting performance against outcomes.



Auditor considerations

Auditors consider the clarity of arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of inequalities, and deliver continuous improvement in priority services.

Best Value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the IJB's best value arrangements is integrated into our audit approach, including our work on the wider scope areas as set out in this report.

Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that

apply to all audit work and providers. These arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report can be found at <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202223>

Independence

The Ethical Standards and ISA (UK) 260 require us to give the IJB full and fair disclosure of matters relating to our independence. In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements we confirm that there are no further matters to bring to the IJB's attention in relation to our integrity, objectivity and independence as auditors that we are required or wish to draw to the IJB's attention.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Our period of total uninterrupted appointment as at the end of 31 March 2023 was one year.

Audit and non-audit services

The total fees charged to the IJB for the provision of services in 2022/23 were as follows. Prior year charges for the predecessor auditor are also shown for comparative purposes:

	Current year	Prior year
Auditor remuneration	£37,360	£19,290
Pooled costs	-	£2,010
Contribution to PABV costs	£6,540	£5,670
Audit support costs	£1,300	£1,030
Sectoral cap adjustment	(£10,730)	-
Total audit fee	£34,470¹	£28,000
Non-audit services	-	-
Total fees	£34,470	£28,000

The FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services have been provided to the IJB.

¹ The audit fee as disclosed in note 10 to the accounts agrees to the above disclosures. The audit fee as disclosed in notes 4, 7 and 9 agrees to the prior year audit fee. The variance £6,470 is not deemed material to the Board and the accounts have not been updated to reflect this difference.

Appendix 2: Audit differences identified during the audit

We are required to inform the IJB of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.

Misclassification and disclosure changes

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the IJB.

We identified a number of reclassification adjustments and some minor presentational issues in the IJB's accounts, and these have all been amended by management. Details of all disclosure changes amended by management following discussions are as below.

No	Detail
1.	Annual Governance Statement - inclusion of the internal audit opinion and other minor amendments.
2.	Remuneration Report – inclusion of full pension scheme narrative to be consistent with partner body disclosures and inclusion of the names of Chairperson and Vice of the IJB.
3.	Management Commentary- inclusion of the IJB's performance against national indicators & further narrative on set aside arrangements.
4.	Reserves- inclusion of narrative to support the restatement of the 2021/22 classification between earmarked and uncommitted balances.

Overall, we found the disclosed accounting policies and the overall disclosures and presentation to be appropriate.

Appendix 3: Follow up of prior year recommendations

We have followed up on the progress the IJB has made in implementing the recommendations raised by the previous auditor last year.

1. Cost of activities commission	
Recommendation	Ensure that payments between constituent bodies are reconciled to consolidation adjustments made when producing the IJB accounts.
Implementation date	30 June 2023
Complete	Based on the audit work performed, we are satisfied that appropriate reconciliations have been prepared and adjustments made to the IJB accounts to reflect transactions between NHS Fife and Fife Council.
2. Use of reserves	
Recommendation	Consider the need for budget and finance reports to include more information on the planned and actual use of reserves.
Implementation date	31 March 2023
Complete	Finance updates now include sufficient information on the use of reserves including an appendix which details each type of reserves available with the amount of the balance committed and drawn down for the period.

3. Financial pressures and identified savings	
Recommendation	Ensure that financial plans and strategies fully reflect pressures and that savings identified remain deliverable.
Implementation date	31 March 2023
Ongoing	<p>The updated MTFS and budget for 2023/24 appropriately reflects financial pressures which face the IJB. In addition, each finance update includes a tracker of approved savings targets against the forecast position in order to closely monitor and take action into areas of underachievement against approved savings.</p> <p>Revised implementation date: March 2024</p> <p>Responsible officer: Audrey Valente</p>

4. Performance information in the management commentary	
Recommendation	Make better use of performance information to support the strategic story in the management commentary.
Implementation date	30 June 2023
Complete	Management commentary includes sufficient information on performance indicators and how initiatives to improve performance are aligned to the Strategic Plan 2023-26 and supporting strategies.

5. Budget setting	
Recommendation	Budgets should be set by the IJB at activity level in line with strategic priorities.
Implementation date	31 March 2023
Complete	The direction for the 23/24 budget has expenditure budgets whereby Resource transfer is included where it is spent. The reporting throughout 23/24 will continue to show Resource Transfer in this way

6. Finance reports	
Recommendation	Improve finance reports by analysing expenditure fully across services, explaining changes in budgets, and including activity information and unit costs.
Implementation date	31 March 2023
Complete	Portfolio reporting has been included in Finance reporting in year. Further work has been undertaken and the budget direction has resource transfer shown where the expenditure incurs. Reporting will continue on this basis. The direction is prepared at service level and detail added to demonstrate what the budget can buy at April 2023 – how many FTE/ hours care etc

7. Performance reporting	
Recommendation	Improve periodic performance reporting through the inclusion of concise summaries and clearer conclusions.
Implementation date	31 March 2023
Complete	<p>The IJB has developed a performance management framework which comprises updates on key performance indicators (KPIs) including national, local and management performance targets which are reported to each second meeting of the Finance, Performance and Scrutiny Committee. Every other meeting of the Finance, Performance and Scrutiny Committee is used to deeper dive into areas of poor performance.</p> <p>Performance reports are also presented to each meeting of the Board. These reports are tailored to focus on the areas of performance that have been provided as part of the full report presented to the Finance, Performance and Scrutiny Committee.</p>



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