

# Fife Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Fife Integration Joint Board and the Controller of Audit

25 September 2019

## Who we are

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

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



## About us

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

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

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

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# Key messages

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## 2018/19 annual report and accounts

- 1 Our audit opinions were all unqualified.
- 2 The unaudited accounts were not published on time

## Financial management and sustainability

- 3 Financial management arrangements need be strengthened to support effective scrutiny. A “turnaround” consultant report covering financial management appears to have had little effect.
- 4 The IJB did not set a balanced budget in 2018/19 and was unable to deliver the planned £4.5 million overspend. The year end outturn was a deficit of £9.3 million, with savings not being achieved in full. The deficit was again met by the partners resulting in year end “break-even”
- 5 The IJB is not financially sustainable and continues to be dependent on additional year-end funding from NHS Fife and Fife Council.
- 6 The IJB does not have a long term financial plan

## Governance, transparency and value for money

- 7 Action has been taken to clarify governance arrangements, but more work is needed to ensure partners roles and responsibilities are clear.
- 8 There have been significant changes in the IJB leadership team
- 9 The IJB has undertaken a self-evaluation based on recommendations in the Strategic Group for Health and Community Care report and has implemented relatively few of the recommendations
- 10 A best value framework will be adopted from 2019/20
- 11 The annual performance report did not include up to date national performance indicators and we were unable to assess whether performance had improved in the year.

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# Introduction

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1. This report is a summary of our findings arising from the 2018/19 audit of Fife Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee meeting on 22 March 2019. This report comprises the findings from our audit of the IJB's annual accounts and consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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## Adding value through the audit

3. We add value to the IJB, through audit, by:
  - identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
  - reporting our findings and conclusions in public
  - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
  - providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.
4. We aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

## Responsibilities and reporting

5. The IJB has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities, as independent auditor appointed by the Accounts Commission, are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.
10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.
11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £27,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
12. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.
13. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2018/19 annual accounts



### Main judgements

**Our audit opinions were all unqualified.**

**The unaudited accounts were not published on time**

**Partner contributions were misstated in the unaudited financial statements**

### Our audit opinions on the annual accounts are all unqualified.

14. The annual accounts for the year ended 31 March 2019 were approved by the board on 24 September 2019. We reported within the independent auditor's report that:

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

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

### Annual accounts were submitted on time and the audit was well-supported

16. We received the unaudited annual accounts on 24 June 2019 in line with our agreed audit timetable. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

### We identified and addressed risks of material misstatement

17. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

18. We have reported a number of issues from our work on the wider dimension risk highlighted in our 2018/19 Annual Audit Plan. These are included in the action plan at [Appendix 1](#).

### Our materiality values were unchanged from our plans

19. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. On receipt of the annual report and accounts we reviewed our planning materiality and concluded that, no changes to the planning materiality levels were needed. These are summarised in [Exhibit 2](#).

## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£5.7 million
Performance materiality	£3.4 million
Reporting threshold	£150,000


Source: Audit Scotland, 2018/19 Annual Audit Plan

### Significant findings from the audit in accordance with ISA 260

- 20.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.
- 21.** The significant findings are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan at [Appendix 1](#) has been included.

## Exhibit 3

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

Issue	Resolution
<p><b>1 Publication of unaudited accounts</b></p> <p>Local Authority Accounts (Scotland) Regulations 2014, regulation 8 states:</p> <p>“The local authority must publish a copy of the Annual Accounts submitted to the auditor, clearly identified as an unaudited version, on a website of the authority from the date they are submitted until the date on which the audited Annual Accounts are published in accordance with regulation 11.”</p> <p>The unaudited accounts were submitted to us on 24 June 2019 but were not put on the website at that date.</p>	<p>We raised this with the Chief Finance Officer on 9 July 2019 and the accounts were not on the website until the end of July, but they were available at Fife House, as advertised. This did not impact on the objection period, which ended on 22 July.</p> <p> Recommendation 1 b/f (refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>2. Miscoding of partner funding</b></p> <p>Note 9 to the annual accounts sets out the transactions between the IJB and its partner organisations (Fife Council and NHS Fife). Audit testing identified the year end payment from NHS Fife of £6.975 million, was deducted from their contribution instead of being added on. It was added to the Fife Council contribution in error.</p>	<p>An amendment was made to the audited accounts to correct this error. Net effect was to increase the “net transactions with partner organisations” figure shown in Note 9 from £45 million to £59 million.</p>



Issue	Resolution
<p><b>3. Improvements to management commentary and governance statement disclosures</b></p> <p>Audit Scotland issued a good practice note on <a href="#">‘Improving the quality of local authority accounts – integration joint boards’</a> (April 2018). The key aim of this document was to enhance disclosures to ensure high quality information is provided to stakeholders in IJB annual accounts. We raised a number of omissions relating to the management commentary and annual governance statement included in the unaudited accounts. The most significant of these was the lack of reference to the IJB’s three year recovery plan and the report from the turnaround consultant on the financial position.</p>	<p>Amendments were made to both the management commentary and the governance statement to address the omissions.</p>

## How we evaluate misstatements

**22.** [Exhibit 3](#) explains adjustments to the accounts that are material by nature. We identified one material misstatement as shown in [Exhibit 3](#) relating to the allocation of funding from partners included in Note 9 of the accounts. This misstatement exceeded our overall materiality but as we were able to confirm partner contributions in their entirety we concluded that further audit procedures were unnecessary. The misstatement was amended in the audited accounts. This had no impact on the Comprehensive Income and Expenditure Statement.

## Limited progress has been made with prior year recommendations

**23.** The IJB has made limited progress in implementing our prior year audit recommendations. Revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

# Part 2

## Financial management and sustainability



### Main judgements

**Financial management arrangements need be strengthened to support effective scrutiny. A “turnaround” consultant report covering financial management appears to have had little effect.**



**The IJB did not set a balanced budget in 2018/19 and was unable to deliver the planned £4.5 million overspend. The year end outturn was a deficit of £9.3 million, with savings not being achieved in full. The deficit was again met by the partners resulting in year end “break-even”**

**The IJB continues to depend on additional year-end funding from NHS Fife and Fife Council.**

**The IJB does not have a long term financial plan**

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

### Financial management arrangements need be strengthened to support effective scrutiny

24. The Chief Finance Officer (CFO) prepares and presents performance reports to each meeting of the Finance and Performance Committee and the IJB. From attendance at the committee and board meetings we have observed members challenging and questioning officers on the financial position.
25. Members have identified issues with the quality of the financial reports. For example a lack of detail on “management actions” in the October report and confusing figures in the December report which did not add up (**refer Recommendation 2 b/f [Appendix 1](#), action plan**).
26. We reviewed the budget monitoring process and confirmed that regular budget information is received from both NHS Fife and Fife Council. This is monitored by budget holders and accountants and regularly discussed by the CFO and Divisional General Managers (DGMs). However, the financial information is in different formats since it is produced using different systems and follows the typical reporting formats of the partner organisations. For example, the council reports focus on the projected year-end variance and NHS reports consider the year-to-date budget variances. This makes it more difficult to consider the position for the IJB as a whole. The CFO had access to the council finance system, but not the NHS system, which has restricted the ability to drill down into the detail.

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## Recommendation 1

**The three partners should agree and support a consistent format of the budgetary control information provided to the IJB to enable more robust monitoring to take place.**

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### **A “turnaround” consultant report appears to have had little effect and the Board’s expectation of officers to report on actions has not been achieved**

- 27.** 2018/19 was the first year of the three-year financial recovery plan agreed with the partner bodies to get the IJB back to a balanced financial position. Throughout the year, finance reports showed the agreed deficit of £4.5 million (see paragraph 32) was not going to be delivered. Recovery actions did not identify the required level of savings or actions to reduce expenditure to address the overspend (see paragraph 34).
- 28.** The IJB asked Scottish Government for help to develop a plan that would address the poor financial outlook and provide a more stable platform moving forward. A turnaround consultant was commissioned by the Scottish Government to review the financial position and advise the Senior Leadership Team (SLT). A report was given to SLT in November 2018 which included a number of recommendations. This was not well received by the SLT and was not provided to the Finance & Performance Committee until March 2019.
- 29.** One of the key recommendations was the introduction of a Grip and Control Framework, and this was the main savings proposal in the second financial recovery plan presented to the Finance & Performance Committee and the IJB Board in December 2018. However, despite this being agreed by members, implementation was delayed until January 2019. There is little evidence that the process implemented from January resulted in any savings or restriction of any expenditure.
- 30.** Members raised considerable concerns on the lack of information available to them following the turnaround consultant’s report and requested an action plan to address the points. Officers prepared a response to a selection of the points flagged which was not welcomed by members who sought to have responses to all of the points raised. This continues to be an on-going issue.
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## Recommendation 2

**A robust recovery plan is required, to address the financial pressures faced by the IJB, taking into account the recommendations/suggestions made in the turnaround consultant’s report.**

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### **The IJB did not set a balanced budget in 2018/19 and was unable to deliver the planned £4.5 million overspend**

- 31.** The 2018/19 budget, agreed by the IJB in March 2018, was based on a three-year financial strategy agreed with partners with an overall funding gap for the year of £18.2 million. This was to be partially met by planned savings of £12.9 million and it was recognised that the remaining gap of £5.3 million would not be resolved in year. This gap was subsequently reduced to £4.5 million as additional funding was given by Fife Council. This represented an unbalanced budget which was underpinned by expected partner deficit-funding at the year-end in line with the integration scheme.

## The year end outturn was a deficit of £9.3 million which was met by the partners resulting in year end “break-even”

32. Finance reports throughout the year showed that the £4.5 million remaining gap was not going to be closed and the Senior Leadership Team were unable to prepare an achievable financial recovery plan to do this (see [Exhibit 4.](#)). The actual outturn prior to deficit funding was an overspend of £9.2 million (2%). NHS Fife contributed £2.6 million and Fife Council contributed £6.6 million towards the deficit. This had a significant impact on the partner organisations (Fife Council and NHS Fife) as the Integration Scheme currently requires them to deficit fund the IJB

### Exhibit 4

#### Financial Monitoring reports showing projected outturn for overspends

IJB Financial Report	Year end forecast £m
September 2018 (period 6)	9.3
November 2018 (period 8)	10.9
January 2019 (period 10)	10.9
March 2019 (year end position prior to risk share)	9.2

Source: Financial Monitoring Reports taken to IJB: note these do not include the Acute Set Aside overspend, as any overspend was borne by NHS Fife

## The IJB achieved 62 per cent of the required efficiency savings

33. The IJB is required to make efficiency savings to maintain financial balance. In 2018/19 efficiency savings of £12.9 million were required and £8 million were achieved. The shortfall was due to:

- £0.6 million increased charges for services which were not approved by Fife Council.
- £0.8 million transformation savings for Community Redesign (£0.4 million) and Out of Hours (£0.4 million) not being achieved in year. These projects are on-going.
- £0.4 million planned management restructuring savings that were not delivered. This is being taken forward on a divisional basis with Trade Unions
- £1.7 million shortfall on a renegotiated mobile telephony contract. Work is on-going with Fife Council’s “changing to deliver” team and Scotland Excel to identify further savings.

34. Had the planned savings been achieved, the IJB would have delivered the planned budget gap/ outturn overspend of £4.5 million.

## The IJB continues to depend on additional year-end funding from NHS Fife and Fife Council.

35. The IJB has received deficit funding from NHS Fife and Fife Council for the last three years (£9.2 million, £8.8 million and £9.3 million) to enable it to achieve a

breakeven position. We reported in 2017/18 that a three-year financial plan had been approved by the IJB setting out the budget gaps for the period 2018-20. This resulted from the medium term financial outlook submitted to the IJB in November 2017 which detailed the financial challenges.

36. The recovery plan agreed for 2018-21 identified a budget gap for 2019/20 of £31.8 million and £46.7 million for 2020/21. Budget gaps have not been fully reflected in savings targets in 2018/19 (as there was an underlying acceptance that partners would require to deficit-fund a proportion) and not all remaining savings targets have been achieved
37. There is little evidence that the financial recovery plans have made a significant difference and transformation, which is cited as key to overcoming the financial challenges, is not progressing as expected. Taking all of this into consideration it is clear that the IJB is not financially stable and is unlikely to achieve financial stability in the medium term.

### **The IJB does not have a long term financial plan**

38. Medium and long term financial planning is an important part of strong financial management. We reported previously that the IJB did not have a long term financial plan and had developed a medium term financial outlook. The three-year financial strategy effective from 2018/19 was not met in year 1 and the IJB still has no long-term financial planning in place.

# Part 3

## Governance, transparency and value for money



### Main judgements

Action has been taken to clarify governance arrangements but more work is needed to ensure partners' roles and responsibilities are clear.



Board and committee meetings are held in public, but committee papers are not available on the website.

There have been significant changes in the IJB leadership team

The IJB has undertaken a self-evaluation based on recommendations in the Strategic Group for Health and Community Care report and has implemented relatively few of the recommendations

A best value framework is being adopted from 2019/20

The annual performance report did not include up to date performance indicators and we were unable to assess whether performance had improved in the year.

Transformation projects are being reviewed and the IJB has completed a consultation exercise and plan for redesigning out of hours care

### Action has been taken to clarify governance arrangements, but more work is needed to ensure partners' roles and responsibilities are clear

39. The IJB is supported by three standing committees: Clinical & Care Governance, Finance & Performance and Audit & Risk. The Scheme of Integration sets out the governance arrangements for membership of the IJB.
40. The Fife integration scheme adopted a fully delegated approach with the IJB, through the Chief Officer, being responsible for operational delivery of services. There has been a degree of uncertainty as to what this means in practice and whether the governance arrangements in place are appropriate to deliver this. The integration scheme does not clearly set out the responsibilities of the health board, council and the IJB in relation to operational activities and we are not aware of this being considered by the board or a committee.
41. The IJB Governance Manual was updated to clarify arrangements and provide a clearer link between the three partner bodies. This is largely achieved through the Chief Social Work Officer for Fife Council and the Medical and Nursing Directors of NHS Fife becoming members of the Integration Joint Board to provide oversight and advice. There is further work needed to ensure that the roles and responsibilities of the three partners in the Fife Health & Social Care arrangements are clear.

## Board and committee meetings are held in public, but committee papers are not available on the website

42. IJB Board meetings are held in public but the three standing committees - Audit & Risk, Finance & Performance and Clinical are held in private and there are no papers available for the committees on the website. This was raised in our 2017/18 report and was to be reviewed and discussed at committees by end of November 2018. No action has been taken on this.
43. During the year there have been numerous changes to dates of committee meetings or meetings being cancelled. Members have also expressed frustration at receiving late papers. Officers have committed to addressing this issue in 2019/20.

## There have been significant changes in the IJB leadership team

44. The Chief Finance Officer resigned in March 2019 and the Chief Officer left in August 2019. The CFO post was filled in June 2019 making this the fourth CFO in post since the IJB was established. An interim appointment was made to the CO post (third CO since establishment) in August. The Director of Delivery, Health & Social Care Integration at the Scottish Government will be supporting a number of IJBs, including Fife, which is expected to bolster the SLT and be particularly helpful to the new CO.

## A new Strategic Plan has been approved

45. A draft Strategic Plan 2019-22 was considered by both the Finance & Performance Committee (July 2019) and Clinical Care Governance Committee (August 2019). The plan was approved by the Board in September 2019 and will be monitored through the Integrated Performance Framework. The plan includes five specific priorities which will contribute to the delivery of the national well being outcomes:

- Working with local people and communities to address inequalities and improve health and wellbeing outcomes across Fife.
- Promoting mental health and wellbeing.
- Working with communities, partners and the workforce to effectively transform, integrate and improve services.
- Living well with long term conditions.
- Managing resources effectively while delivering quality outcomes.

## The IJB has undertaken a self-evaluation based on recommendations in the Strategic Group for Health and Community Care report and has implemented relatively few of the recommendations

46. In November 2018, Audit Scotland published its review of Health and Social Care Integration in Scotland. That review was considered by the Ministerial Strategic Group (MSG) for Health and Community Care which developed a number of specific proposals in light of the Audit Scotland recommendations. The MSG also requested that each Health Board, Local Authority and Integration Joint Board should undertake a self-evaluation of their progress in relation to those proposals.
47. Fife IJB's self-evaluation rated 8 of the 22 local proposals as 'Established' with 12 classed as 'Partly Established' and 2 as 'Not Yet Established'. The 2 proposals classed as 'Not Yet Established' were:

- Delegated hospital budgets and set aside budget requirements must be fully implemented
- Improved capacity for strategic commissioning of delegated hospital services must be in place.

### **Internal audit arrangements are effective**

- 48.** Internal audit provides the IJB Board and Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.
- 49.** The internal audit function is carried out by the Audit and Risk Management Service of Fife Council, in conjunction with Fife, Tayside and Forth Valley Internal Audit Services in their role as Fife Health Board Internal Auditors. We carried out a review of the adequacy of the internal audit functions and concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS) and have sound documentation standards and reporting procedures in place.
- 50.** We considered the findings of the work of internal audit on performance indicators & outcome measures as part of our wider dimension audit work.

### **Risk management arrangements are being strengthened**

- 51.** A short life working group was set up during the year to review the risk management process. The three partner bodies are working together to ensure that each partner's risk register reflects consistent risks and to clarify which organisation will take responsibility to manage these. Once in place, this should significantly streamline the risk management process and remove the risk of either all or none of the partners monitoring identified risks.

### **The partner bodies have sound systems of internal control in place**

- 52.** Fife IJB does not have any financial systems of its own, instead it relies upon the financial systems of its partners to record all transactions. As part of our audit approach we sought assurances from the external auditor of NHS Fife and Fife Council (in accordance with ISA 402). Some control weaknesses were identified and the auditors adapted their audit procedures to obtain the assurances required for the respective audits. This did not identify any issues.

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

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

### **A best value framework is being adopted from 2019/20**

- 55.** To achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources. Integration Joint Boards have a statutory duty to make arrangements to secure best value.



56. A meeting of the Finance and Performance Committee in January 2019 agreed that a Best Value framework would be adopted by the IJB from 2019/20. This will set out the areas against which the IJB would seek to demonstrate delivery of best value including:
- Management of Resources (financial assurance and monitoring of IJB budget resources, medium term financial planning, workforce planning)
  - Effective Leadership and Strategic Direction (commitment to delivering integration among Board members and senior managers through IJB Strategic Plan)
  - Performance Management (regular reporting and scrutiny of IJB performance, achievement against Health and Social care outcomes and progressing integration)
  - Joint Working with Partners (demonstration of effective approach to joint working with partners to progress integration through Fife Health and Social Care Delivery plan)
  - Service Review / Continuous Improvement (regular reviews of service activity and scope for integration through projects such as Frailty Programme and Mental Health Redesign)
  - Governance and Accountability (demonstration through public performance information such as Annual Accounts, Governance Statement and Annual Performance report)
  - Engagement with Community (e.g. regular engagement and consultation with stakeholders through Locality Planning Groups and Strategic Plan consultation).
57. The Finance & Performance Committee will take responsibility for assessing the new approach annually to ensure the IJB has demonstrated best value in the delivery of delegated functions during the year. This will be reported to the Board.

### **The annual performance report was not published by the statutory deadline and did not contain up to date performance indicators**

58. The IJB Board receives a finance and performance report at each meeting. These reports provide an update on the financial position, performance against national outcomes and against local health and social care indicators and details the number of requests and complaints received. The reports are available through board papers on the IJB's website.
59. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan. Although a draft annual performance report was published by 31 July, the final version of the report was not approved by the Board until September 2019, this is two months later than the statutory deadline. Our review of the draft report confirmed that all the areas expected per the guidance had been included.
60. The IJB assesses its performance against 23 different measures – the nine national health and wellbeing outcomes and 14 of its own strategic commissioning measures.
61. These are outlined in the appendix to the annual report, however the figures in the draft report were from the previous year as there were no updates available

for the national indicators when the draft performance report was issued. It is also not clear whether information is now available for the five indicators not reported in 2017/18. (refer Recommendation 7 b/f [Appendix 1](#), action plan)

### **Transformation projects are being reviewed and the IJB has completed a consultation on redesigning out of hours care**

62. The IJB risk register includes an amber risk that transformation programmes will not meet the desired timescales, achieve the required clinical outcomes or deliver the savings required.
63. To address these concerns the Joint Strategic Transformation Group is to be reformed to drive the process forward. The group will be chaired by the Chief Executive of NHS Fife. A workshop was organised in July to take stock of progress with significant transformation programmes across the Health and Social Care Partnership and NHS Fife. The next steps are to develop a clear direction of travel and timeline for each significant change programme.
64. A consultation process was undertaken on “Joining Up Care”, a major transformation project which included redesigning both out of hours urgent care and community hospital and intermediate care services. In December 2018 this was subject to a participation request raised by St Andrews Community Council and the Glenrothes Area Tenants Federation through the Community Empowerment Act. The requests were made to NHS Fife, as the IJB is not directly covered by the Act. This was a unique situation given the IJB has delegated authority on the services covered by the request.
65. Further meetings and workshops were held in March 2019 to address the concerns raised and the IJB approved the Out of Hours redesign proposals at its meeting on 21 June 2019.

### **The IJB is participating in resilience arrangements with its partners to prepare for EU withdrawal.**

66. The impact of EU withdrawal on medicines and medical equipment is included as a high risk on the Fife IJB strategic risk register and this risk is being monitored by a group chaired by the Director of Medicines and Pharmacy. As the IJB does not directly incur expenditure or employ its own staff, it is heavily dependent on the preparations of NHS Fife and Fife Council to mitigate the risks associated with EU withdrawal.
67. We have taken assurance from the conclusions reported by the external auditors of NHS Fife and Fife Council that both bodies are making reasonable preparations for EU withdrawal. On this basis, we have no specific risks to highlight.

### **National performance audit reports**

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

# Appendix 1

## Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Consistency of budgetary information</b></p> <p>Budget monitoring information is received from both NHS Fife and Fife Council. However, the financial information is in different formats since it is produced using different systems and follows the typical reporting formats of the partner organisation. For example, the council reports focus on the projected year-end variance and NHS reports consider the year-to-date budget variances.</p> <p><b>Risk:</b> The IJB financial position is not monitored on a consistent basis which could impact on the quality of the budgetary reports.</p>	<p>The three partners should agree and support a consistent format of the budgetary control information provided to the IJB to enable more robust monitoring to take place.</p> <p><a href="#">Paragraph 26</a></p>	<p>Information is collated by the Chief Finance Officer into a consistent format.</p> <p>This is reflected in the monitoring reports submitted to IJB.</p> <p>Production of reports to be clearly scheduled and sufficient time allowed for scrutiny and refinement.</p> <p><b>Chief Finance Officer</b></p> <p><b>Ongoing</b></p>
2	<p><b>Financial sustainability</b></p> <p>The financial recovery plan agreed an overspend of £4.5 million for 2018/19. Forecast throughout the year showed this was not going to be delivered and subsequent recovery actions did not identify the required level of savings or actions to reduce expenditure to address the overspend. The recommendations from the turnaround consultant's report have not been fully considered and implemented.</p> <p><b>Risk</b> The IJB will not be able to deliver financial sustainability over the medium term and the partner bodies will continue to bear the financial risk of adverse outturns which will detract from activities to transform services.</p>	<p>A robust recovery plan is needed to address the financial pressures faced by the IJB. This should also take account of the recommendations/suggestions made in the turnaround consultant's report.</p> <p><a href="#">Paragraph 30</a></p>	<p>A recovery plan will be developed to consider what action can be taken in-year, but will also focus on the medium term financial strategy that is required to close the budget gap.</p> <p><b>Senior Leadership Team</b></p> <p><b>31 March 2020</b></p>

## Follow up of prior year recommendations

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b/f 1	<b>Publication of unaudited accounts</b>	Unaudited accounts should be made available on the website from the date they are submitted to audit until the date the audited accounts are available.	<p><b>Not completed</b></p> <p>We notified the Chief Finance Officer on 9 July 2019 that the unaudited accounts were not on the IJB's website and requested this to be done as soon as possible. This did not happen until several weeks later.</p> <p><b>Management response</b></p> <p>Unfortunately due to sickness and annual leave the unaudited accounts were not available on the website. Steps will be taken to ensure that there is a transfer of knowledge to other staff members within the partnership.</p> <p><b>Head of Corporate Services</b> <b>30 June 2020</b></p>
b/f 2	<b>Clarity of financial reporting</b>	Information provided to members should be reasonably up to date and presented in a clear and succinct way to enable effective scrutiny to take place.	<p><b>Not completed</b></p> <p>Although steps have been taken to ensure the information is as up to date as possible, it is still not clear what the initial budget was, what changes have happened in the year, what savings have been delivered or how the recovery plan will be achieved.</p> <p><b>Management response</b></p> <p>This will be reflected in future Financial Updates to the IJB</p> <p><b>Chief Finance Officer</b> <b>31 March 2020</b></p>
b/f 3	<b>Financial sustainability and transformation</b>	The IJB and partner bodies should review the financial position and financial sustainability of the IJB and then focus on delivering a longer-term transformation programme.	<p><b>Not completed</b></p> <p>The IJB's has not delivered on the agreed financial recovery plan and continues to rely on deficit-funding by the partner organisations.</p> <p><b>Management response</b></p> <p>Work is ongoing with members of SLT to develop a longer term financial plan which will focus on grip and control/ divisional efficiencies and transformation programmes.</p> <p><b>Chief Finance Officer</b> <b>31 December 2019</b></p>

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b/f 4 <b>Review of governance arrangements</b>	The partners should agree their roles, responsibilities and authority to ensure there is no uncertainty for either members or users of the service.	<p><b>Partially completed</b></p> <p>Action has been taken to strengthen governance arrangements with the CSWO and Medical and Nursing Directors joining the Board. Further work is needed to clarify the roles and responsibilities of the three partner bodies</p> <p><a href="#">See paragraph Error! Reference source not found.</a></p> <p><b>Management response</b></p> <p>The action plan for the ministerial strategic group addresses these concerns which is currently being developed by SLT.</p> <p><b>Chief Officer</b></p> <p><b>31 March 2020</b></p>
b/f 5 <b>Transparency and openness</b>	Committee meetings should be open to the public with non-restricted papers available on the website	<p><b>Not completed</b></p> <p>No action has been taken on this.</p> <p><b>Management response</b></p> <p>The Chairs of each of the committees will be consulted with a view to full implementation during 2019/20</p> <p><b>Head of Corporate Services</b></p> <p><b>31 December 2019</b></p>
b/f 6 <b>Best Value</b>	The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.	<p><b>On-going</b></p> <p>A best value framework has been agreed and will be brought in from 2019/20</p> <p><a href="#">See paragraph 56</a></p>
b/f 7 <b>Annual performance report</b>	The annual report should be made available within four months of the year end and the information provided in both the body and appendices should be reviewed.	<p><b>Not completed</b></p> <p>The draft report went to the Finance &amp; Performance Committee in July but was not approved by the IJB until September. These are outlined in the appendix to the annual report, however the figures in the draft report were from the previous year and there were no up to date indicators in the 2018/19 performance report. It is also not clear whether information is now available for</p>

the five indicators not reported  
in 2017/18

[See paragraph 61](#)

**Management response**

We have consulted with our  
colleagues in ISD and  
confirmed that information for  
both the 2018/19 national  
indicators and the indicators  
not reported last year is not  
available. This is due by end  
September

***Head of Strategic Planning,  
Performance and  
Commissioning***

***30 September 2019***

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# Appendix 2

## Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
<b>Financial statements</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> <li>Agreement of balances and transactions to Fife Council and NHS Fife financial reports / correspondence.</li> <li>Service auditor assurances will be obtained from the auditors of Fife Council and NHS Fife over the completeness, accuracy and allocation of income and expenditure.</li> <li>On-going review of financial position.</li> </ul>	<p><b>Results</b> We received assurances from the external auditors of Fife Council and NHS Fife and no issues were raised in relation to the completeness, accuracy and allocation of income and expenditure or to journals.</p> <p>Our review of the financial reporting found it was consistent with partner bodies records.</p> <p><b>Conclusion</b> We did not identify any issues as a result of our audit work that would indicate management override of controls that materially affect the year-end position.</p>
<p><b>2 Preparation of annual accounts</b></p> <p>The Chief Finance Officer (CFO) has resigned and leaves post before the financial year end. There are also changes proposed to officers preparing the accounts.</p> <p>As it will be new staff involved in the accounts process this year there is a risk to the delivery/accuracy of financial statements.</p>	<ul style="list-style-type: none"> <li>Early engagement with the new CFO and other officers involved in the preparation of the accounts to ensure we are aware of any issues arising.</li> </ul>	<p><b>Results</b> We received the unaudited annual accounts on 24 June in line with the agreed timetable. There were a number of amendments required to these accounts and the final version was approved by the Board on 24 September</p> <p><b>Conclusion</b> The change in staff did not present any issue to the delivery of the annual accounts</p>
<b>Wider dimension issues and risks</b>		
<p><b>3 Financial management and sustainability</b></p> <p>The 2018/19 budget agreed by the IJB in March 2018 was based on a three-year financial strategy agreed with partners with an overall funding gap for</p>	<ul style="list-style-type: none"> <li>Review of turnaround consultant's report and findings and actions taken by officers in response.</li> <li>Consideration of the IJB's budgetary control process</li> </ul>	<p><b>Results</b> The turnaround consultant's report has yet to be fully responded to by officers. We reviewed the IJB's budgetary control process and found that improvements could be achieved by agreeing a consistent format</p>

## Financial statements

the year of £18.2 million. This was to be partially met by planned savings of £12.9 million and it was recognised that the remaining gap of £5.3 million would not be resolved in year. This gap was subsequently reduced to £4.5 million as additional funding was given by Fife Council. This represented an unbalanced budget which was underpinned by partner deficit funding in line with the integration scheme.

At November 2018 the IJB is projecting that just under 65% (£8.3 million) of savings will be achieved and this coupled with overspends in year has resulted in a projected year end deficit of £10.9 million, 140% (£6.3 million) above the agreed deficit of £4.5 million.

The Senior Leadership Team has to date been unable to prepare an achievable financial recovery plan to address the overspend by 31 March 2019. This has a significant impact on the partner organisations (Fife Council and NHS Fife) as the Integration Scheme currently requires them to deficit fund the IJB.

We reported last year that the IJB had not yet achieved financial sustainability, looked unlikely to do so over the medium term and that progress on redesigning health and social care services and transforming how these are delivered was slower than anticipated. The position has deteriorated further in 2018/19 and there is an increased and significant risk to the IJB's financial sustainability

- Confirmation of funding and balances with host bodies.
- Continuing to monitor the in-year and year end financial position and any further funding decisions
- Consideration of the quality of the recovery plan and deliverability of actions proposed.
- Consideration of the transformational change programme, and how transformation of services contributes to the financial sustainability of the IJB.

and taking a stronger position on overspends. It was clear throughout the year that the recovery plan would not be achieved and subsequent attempts at revising the recovery plan failed. There continues to be slow progress in delivering major transformational change across Fife.

**Conclusion** The overspend was once again met through the risk share agreement by the partner bodies and the IJB delivered a breakeven position at the year end. The on-going financial pressures have been reported in Appendix 1.



# Appendix 3

## Summary of national performance reports 2018/19

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

### Reports relevant to Integration Joint Boards

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

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

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

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

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

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

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

# Fife Integration Joint Board

## 2018/19 Annual Audit Report

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