

# Fife Integration Joint Board

2020/21 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Fife Integration Joint Board and the Controller of Audit  
November 2021

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# Contents

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Key messages	3
Introduction	4
1. Audit of annual accounts	6
2. Financial management and sustainability	10
3. Governance, transparency, and best value	16
Appendix 1	21
Appendix 2	26
Appendix 3	29

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# Key messages

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## 2020/21 annual report and accounts

- 1 Our audit opinions on the annual accounts of the IJB are unmodified.
- 2 The Covid-19 pandemic affected the quality of accounting records, with audited accounts being adjusted to reflect £11 million of Covid-19 costs and funding.

## Financial management and sustainability

- 3 Covid-19 meant that almost half of the £13.8 million planned savings remained unachieved in 2020/21, but additional Scottish Government funding, contributions from NHS Fife, and an underspend on core activities resulted in a surplus of £29.6 million.
- 4 The budget for 2021/22 was approved on the basis that previously unachieved savings would be delivered, along with further new savings of £3.9 million. A £6 million overspend is currently forecast for 2021/22.
- 5 There remains scope to further improve financial management.

## Governance, Transparency and Best Value

- 6 Vision and leadership of the IJB have been good. There was a rapid response to the pandemic with a local mobilisation plan drawn up and command structures introduced.
- 7 The integration scheme has been revised and a review of governance arrangements will now follow.
- 8 Transformation responsibilities have been clarified and a project management office is being set up.
- 9 More could be done to demonstrate best value duties are being met.

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# Introduction

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**1.** This report summarises the findings from our 2020/21 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 January 2021. This report comprises the findings from:

- an audit of the IJB's 2020/21 annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#).

**3.** The global coronavirus pandemic has had a considerable impact on the IJB and its partner bodies during 2020/21. This has had significant implications for the way services have been provided with increased costs and unachieved savings due to delayed efficiency and redesign initiatives. There has been significant additional funding provided by the Scottish Government and additional contributions to the IJB budget by NHS Fife towards the end of the year.

## Adding value through the audit

**4.** We aim to add value to the IJB, through our audit, by:

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

## Responsibilities and reporting

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

**6.** As public sector auditors, we give independent opinions on the annual accounts. Additionally, we conclude on the appropriateness and effectiveness of the performance management arrangements, the suitability and effectiveness of

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

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

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

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

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

## Auditor Independence

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

**12.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £28,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

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

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# 1. Audit of annual accounts

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

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## Key messages

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

The Covid-19 pandemic affected the quality of accounting records, with audited accounts being adjusted to reflect £11 million of Covid-19 costs and funding.

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## Our audit opinions on the annual accounts are unmodified

**14.** The annual accounts for the year ended 31 March 2021 were approved by the IJB on 26 November 2021. As reported in the independent auditor's report:

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

## The Covid-19 pandemic had an impact on the complexity and quality of accounting records

**15.** The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were affected by the Covid-19 pandemic. Examples included:

- £11m of expenditure on IJB activities arising from Covid -19, and met by additional funding, had not been brought to account in the unaudited financial statements
- Late and significant changes to constituent body contributions were initially not fully supported by working papers, analysis, and correspondence
- partner bodies' auditors provided assurances later than usual, due to delays in those audits.

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

## Recommendation 1

Ensure that working papers provided in respect of changes in funding and budgets are complete and properly supported.

### Overall materiality is £6.3 million

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

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

### Exhibit 1

#### Materiality values

Materiality level	Amount
Overall materiality	£6.3 million
Performance materiality	£3.75 million
Reporting threshold	£190,000

Source: Audit Scotland

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

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

### We have significant findings to report on the annual accounts

20. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of Fife IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. The significant findings on the annual accounts are summarised in Exhibit 2.

## Exhibit 2

### Significant findings from the audit of Fife IJB financial statements 2020/21

Issue	Resolution
<p><b>1. Inclusion of covid costs and funding</b></p> <p>NHS Fife incurred £11 million of costs on IJB activities arising due to Covid-19 for which additional funding was received. These amounts were not shown in the IJB unaudited accounts.</p>	<p>The audited accounts were amended with £11 million of additional contribution income and expenditure now included.</p> <p><b>Recommendation 1</b> (refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>2. Budget realignment payments</b></p> <p>£4.1 million of budget realignment payments were included in NHS Fife activity costs and netted off Fife Council activity costs in error.</p>	<p>The audited accounts were amended to reflect the £4.1 million budget realignment.</p> <p><b>Recommendation 1</b> (refer <a href="#">Appendix 1</a>, action plan)</p>
<p><b>3. Council accruals estimate – external service providers</b></p> <p>The accruals approach for amounts payable for social care has been brought into line with that for the remainder of the Council. Only amounts over £50,000 are accrued. The outturn report identified that £1 million of the underspend in relation to council nursing and residential services was attributable to this approach in 2020/21.</p>	<p>No amendment was made to the Council’s accounts. The accruals estimate was deemed to be optimistic but reasonable for accounting purposes under ISA 580.</p>
<p><b>4. Council expenditure items</b></p> <p>The Council’s auditor identified two expenditure items impacting the cost of IJB activities not treated correctly:</p> <ul style="list-style-type: none"> <li>• £294,000 relating to continuing placements should have been recharged to the Council’s Children’s and Families division in line with an agreed approach. No recharge was made.</li> <li>• £261,000 relating to training provided by Fife College was to be carried forward to 2021/22. No adjustment was made to the accounts.</li> </ul> <p>The cost of IJB activities includes these costs in 2020/21.</p>	<p>No amendment was made to the Council’s accounts on the basis of materiality. We report these items as unadjusted.</p> <p><a href="#">Paragraph 22.</a></p>
<p><b>5. Use of performance information in the management commentary</b></p>	<p>Our opinion on the management commentary was unmodified. Inclusion of additional performance information to be considered for 2021/22.</p> <p><b>Recommendation 2</b> (refer <a href="#">Appendix 1</a>, action plan)</p>

Issue	Resolution
<p>The management commentary should include financial key performance indicators together with other indicators necessary to measure progress against objectives and priorities. There remains scope to improve the use of performance information in the management commentary.</p>	
<p><b>6. The Annual Governance Statement could better link actions to governance weaknesses.</b></p> <p>The Annual Governance Statement is required to include an agreed action plan to deal with significant governance issues. There is scope to better link actions, focus on significant weaknesses and include timescales.</p>	<p>Our opinion on the annual governance statement was unmodified. The Annual Governance Statement should be refined in 2021/22.</p> <p><b>Recommendation 3</b> (refer <a href="#">Appendix 1</a>, action plan)</p>

Source: Audit Scotland

## Identified misstatements of £15 million were adjusted in the annual accounts

**21.** In total £15 million of misstatements relating to Covid-19 and budget realignment were identified and amended with no impact on reserves ([Exhibit 2](#)). We adjusted our audit procedures to increase testing and gained assurance over Covid-19 funding through agreement to constituent body accounts.

**22.** Other misstatements totalling £555,000 and impacting the cost of IJB activities were identified in the accounts of Fife Council. These errors have not been adjusted by the Council in their audited annual accounts. If corrected the cost of IJB activities would have reduced by £555,000 ([Exhibit 2](#)).

**23.** We have reviewed the nature and causes of these misstatements and have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systematic error.

**24.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

**25.** The gross sum of unadjusted errors is below our materiality and has not affected our opinion.

## Limited progress was made on prior year recommendations

**26.** The IJB has made limited progress in implementing our prior year audit recommendations due to the impact of Covid-19. Only two out of 11 actions are complete. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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## 2. Financial management and sustainability

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. Financial sustainability looks forward and considers whether the IJB is planning effectively to continue to deliver its services.

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### Key messages

Savings of £13.8 million were approved to set a balanced budget in 2020/21, but Covid-19 meant that almost half of these savings remained unachieved.

Additional Scottish Government funding and contributions from NHS Fife, together with an underspend on core activities, resulted in a surplus of £29.6 million.

The budget for 2021/22 was approved on the basis that £5.5 million of previously unachieved savings would be delivered along with further new savings of £3.9 million.

A £6 million overspend is currently forecast for 2021/22.

There remains scope to further improve financial management.

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### The IJB approved £13.8 million of savings to set a balanced budget for 2020/21

**27.** The IJB's budget for 2020/21 was approved by voting members of the board remotely after the scheduled meeting of the IJB was cancelled due to the first Covid-19 lockdown. The budget was balanced for the first time since 2016/17. Savings of £13.8 million were approved to close the identified funding gap.

### The Covid-19 pandemic led to increased costs and undelivered savings which were funded

**28.** The onset of the Covid-19 pandemic impacted service delivery and meant that many savings initiatives had to be paused.

**29.** The first budget monitoring report produced for the IJB in August 2020 identified pressures of £27 million. In subsequent finance reports forecast costs remained at around this level with the position in the final Local Mobilisation Plan showing costs of £26 million (including unachieved savings of £6.5 million).

**30.** Additional funding was made available by the Scottish Government to meet all Covid-19 costs in 2020/21.

### **Additional funding, contributions, and an underspend on core activities, resulted in a surplus of £29.6 million in 2020/21**

**31.** The additional funding from the Scottish Government, additional contributions from NHS Fife, and an underspend on core activities resulted in a total surplus of £29.6 million for the year.

**32.** The IJB is carrying forward reserves for the first time since becoming operational in 2016/17 (Exhibit 3).

### **Exhibit 3**

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

2020/21 is the first year the IJB has returned a surplus

<b>IJB budget summary</b>	<b>2016/17</b> £m	<b>2017/18</b> £m	<b>2018/19</b> £m	<b>2019/20</b> £m	<b>2020/21</b> £m
Final Budget	495	512	530	560	665
Budgeted overspend	0	2	5	7	0
Actual spend	504	520	539	567	635
Over/ (under) spend before deficit funding	9	8	9	7	(30)
Overall reserves c/f	0	0	0	0	30

Source: Fife IJB Finance Reports and Accounts

**33.** Reserves include £15 million earmarked for ongoing Covid-19 pressures, £7 million for other specific activities / pressures, with the remaining £7 million uncommitted.

### **Staff vacancies contributed to underspends on core activities**

**34.** Underspends on core activities were often attributed to staff vacancies. Service delivery has been impacted in some areas with increased waiting times for services reported. Active recruitment is underway, but this in turn may contribute to budget pressures.

## The target for new savings in 2021/22 is £9.4 million

**35.** The 2021/22 budget was set on the basis that £5.5 million of the unachieved savings from 2020/21 could still be delivered, together with an additional £3.9 million of savings approved for the first time for 2021/22 (£4.8 million of the total £8.7 million savings approved were delivered on a recurrent basis in 2020/21 and were being reapproved as a formality).

## Budgets are still not identified at activity level

**36.** We recommended last year that budgets should be set at activity level in line with strategic priorities. Some progress has been made in 2021/22 with budgets attributed to each partner body. However, budgets at activity level are still not identified.

## There is scope for greater transparency in how constituent body contributions are uplifted

**37.** Baseline recurrent budgets are not identified as part of budget setting, and it is not always clear that all elements that should be uplifted have been. When the 2020/21 budget was set, the resource transfer figure had not been uplifted in line with agreed practice. This error was identified by the Chief Finance Officer later in the year and additional contributions of £1.5 million were agreed with NHS Fife.

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## Recommendation 4

Make it clearer in budget setting reports how contributions have been uplifted.

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## A £6 million overspend is forecast for 2021/22

**38.** The finance report at the end of August 2021 is forecasting a £6 million overspend on core activities. This overspend is after the inclusion of £3 million unachieved savings. A recovery plan is being put in place but failure to deliver further savings or secure additional funding contributions will impact uncommitted reserves.

**39.** The local mobilisation plan for the first quarter of 2021/22 identifies Covid-19 costs and unachieved savings of £30 million. This is almost double the earmarked reserves the IJB has identified for Covid-19 of £15.2 million.

**40.** The IJB expects that additional funding will be made available by the Scottish Government to meet Covid-19 costs in 2021/22. This funding may cover unachieved savings of £3 million included in the August forecast.

## **Reasons for the Adult Placements overspend are complex, but scope remains to further improve financial management**

**41.** The biggest single area of forecast overspend in 2021/22 is in adult placements at £6 million. The reasons for the overspend are complex and there are ongoing pressures.

**42.** The budget for Adult Placements for 2021/22 was lower than the outturn for 2020/21 due to undelivered savings carried forward. Delivery of savings has again been impacted by the ongoing pandemic with £1.2 million now in doubt. It is important that savings plans are robust and take account of known pressures.

**43.** Statutory requirements and the impact of Covid-19 have resulted in packages being approved in excess of budget available. Work has now begun to review existing packages with a view to reducing cost. Revising packages of care can be complex where legal guardians are involved.

**44.** The service is constrained by the availability of service providers in some areas and changing this will take time.

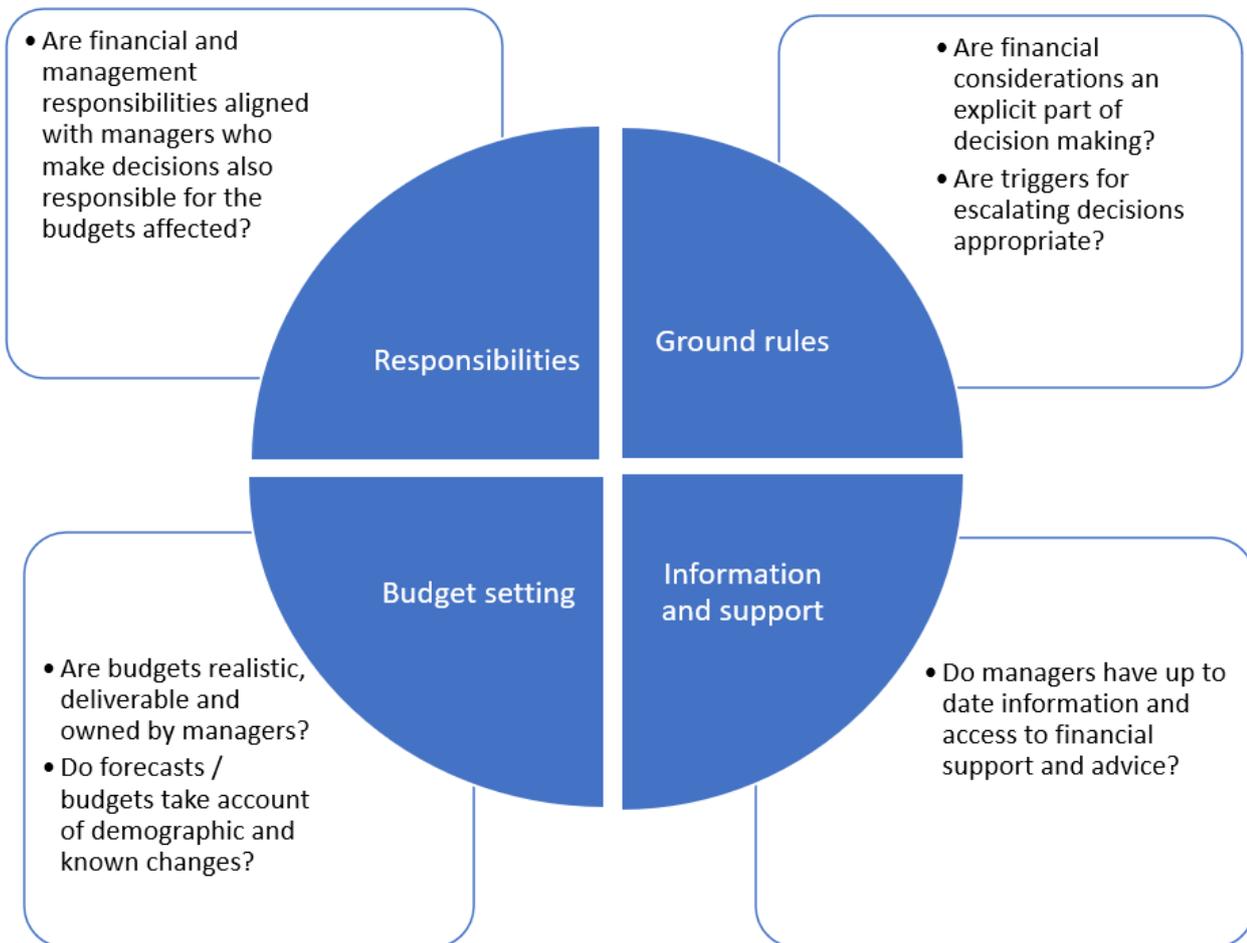
**45.** There has been a lack of readily available information on current provision and needs which could hamper a strategic approach to commissioning. The service is working with finance to better understand the distribution of cost across different elements of the service.

**46.** There is a clear commitment to improve financial management. A number of the key variables for further consideration are identified at Exhibit 4.

## Exhibit 4

### Improving financial management

For many organisations the following variables are key to improving financial management



## The medium term financial strategy (MTFS) has been updated but does not demonstrate that demographic pressures can be met

**47.** The MTFS was updated and rolled forward as part of the budget setting process for 2021/22. Assumptions around funding and financial pressures were updated and are more optimistic than in the previous year resulting in reduced funding gaps forecast for 2022/23 and 2023/24.

**48.** However, the MTFS does not reflect demographic pressures and has not anticipated the ongoing impact of Covid-19 as services are remobilised. Long term financial planning has not yet been developed.

## **There were weaknesses in constituent body internal controls but additional work was undertaken by their auditors**

**49.** The IJB relies on the financial systems of its constituent bodies and does not maintain its own financial ledger or systems.

**50.** In 2020/21 Fife council moved to new main accounting; payroll; and accounts payment systems. The introduction of these new systems, together with remote working practices due to Covid-19 restrictions, resulted in some weakening of financial control and budget monitoring. We received assurances from the auditor that further substantive testing has been undertaken and there has been no material impact on the accounts of the IJB.

**51.** We received assurances from NHS Fife's auditor that overall, the controls tested were operating effectively, but with some control weaknesses over the staff verification exercise and the authorisation of journals. Covid-19 had also resulted in a significant reduction in counter-fraud activity covering payments to primary care practitioners. We received assurances from the auditor that further substantive testing has been undertaken and there has been no material impact on the accounts of the IJB.

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

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

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

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# 3. Governance, transparency, and best value

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

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## Key messages

Vision and leadership have been good.

There was a rapid response to the pandemic with a local mobilisation plan drawn up and command structures introduced.

The integration scheme has been revised and a review of governance arrangements will now follow.

Transformation responsibilities have been clarified and a project management office is being set up.

More could be done to demonstrate best value duties are being met.

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## Vision and leadership have been good

**54.** Leadership has been good with effective communication and engagement by the IJB Chief Officer with the board, partners, and workforce throughout the pandemic. There is a clear commitment to integration and improvement with the adoption of Mission 2024 with the aim to best performing or most improved Health and Social Care Partnership by 2024.

**55.** There is a clear focus on engaging with and empowering staff to achieve improvement. With regular meetings of the extended leadership team.

**56.** Staff health and wellbeing have been supported through staff hubs, telephone support lines and regular staff briefings.

**57.** Additional briefings have been produced for board members, development sessions have continued and further drop in sessions introduced as part of the budget setting process.

## **Throughout the pandemic the IJB has continued to work on strengthening governance arrangements**

**58.** Fife IJB made changes to its governance arrangements in response to the pandemic. The IJB's budget for 2020/21 was approved by voting members of the board remotely after the scheduled meeting of the IJB was cancelled due to the first Covid-19 lockdown.

**59.** Later meetings were held virtually using teams and additional meetings were held with the chairs for governance committees and the chair and vice chair of the IJB. The IJB and its committees met regularly and were kept informed of developments throughout the period.

**60.** Throughout the pandemic, work has been ongoing to strengthen governance arrangements through development sessions and work with the board.

## **There was a rapid response to the pandemic with a local mobilisation plan and introduction of command structures**

**61.** The health and social care partnership engaged with the Scottish Government and produced a local mobilisation plan in March 2020. A Health and Social Care command structure was introduced which interfaced with those of Fife Council and NHS Fife. Emergency, complex, and critical support continued to be delivered across all key areas.

**62.** Some areas of service were impacted. Community support services, for example, were suspended and the affected staff were redeployed.

## **The Health and Social Care Partnership operated with an interim management structure during 2020-21**

**63.** All three of the health and social care partnership's divisional general managers left in 2020/21 and interim arrangements were put in place to deal with the impact of Covid-19. New appointments have now been made and a permanent management structure introduced in July 2021. Some further realignment of cost centres with the new management structure will be necessary.

## **The integration scheme has been revised and a review of governance arrangements will now follow**

**64.** We reported last year that the revised integration scheme was still to be finalised and Covid-19 led to further delay. However, the revised scheme has now been approved by constituent bodies for application in 2021/22, following final approval by the Scottish Government.

**65.** The revised integration scheme clarifies the IJB's responsibilities for strategic direction and operational oversight, with operational delivery being the responsibility of the IJB chief officer who is accountable to the constituent bodies in that role.

**66.** A review of governance arrangements and committee structure, which was pending approval of the revised integration scheme by constituent bodies, can now be finalised. The review will see the IJB's governance manual updated and the IJB committee structure and terms of reference refreshed.

### **A directions policy has been developed and directions to partner bodies issued**

**67.** Following guidance from the Scottish Government on the issuing of directions the IJB developed a directions policy which has helped further clarify roles and responsibilities. More use will be made by the IJB of directions to partner bodies going forward.

### **A Local Partnership Forum annual report has been produced for the first time and a strategic commissioning plan developed**

**68.** The IJB has continued to develop thinking and capture learning with new reports on the Local Partnership Forum and the development of a Strategic Commissioning Plan to complement the Strategic Plan which is due to be updated in 2022.

### **Transformation responsibilities have been clarified and a project management office is being set up**

**69.** The delivery of transformation and change has been postponed or slowed due to Covid-19. However, the Chief Finance Officer took on responsibility for transformation projects in July 2021 and a project management office is being set up.

**70.** Work on refreshing transformation projects, and the framework in which they operate, is now underway. These are looking at the balance of care and support provided 'at home' and 'in homes' through the home-first and bed-based initiatives. These aim to reduce the dependency on more expensive residential and nursing homes and better support folk at home in order to cope with the needs of an ageing population.

**71.** Internal audit made recommendations to better link the IJB Strategic Plan and its resultant transformation programmes to the Plan for Fife. A transformation portfolio board is to be introduced.

### **More could be done to demonstrate best value duties are being met**

**72.** Integration Joint Boards have a statutory duty to put in place arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**73.** The IJB introduced a best value framework in January 2019 and a position statement was reported to the IJB in February 2020. There has been no progress report for 2020/21.

**74.** The requirements for the annual performance report include an assessment of whether best value in the planning and delivery of services has been achieved. However, coverage of best value in the annual report has been limited.

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## Recommendation 5

Consider fuller coverage of Best Value responsibilities in the annual performance report.

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### The IJB has an agreed performance management framework and regular performance reports are considered by the IJB

**75.** Regular performance information is produced for the board and its committees. Ad hoc reports are also brought on areas of service delivery where improvements are needed. An annual performance report is published but the report for 2020/21 is not yet finalised.

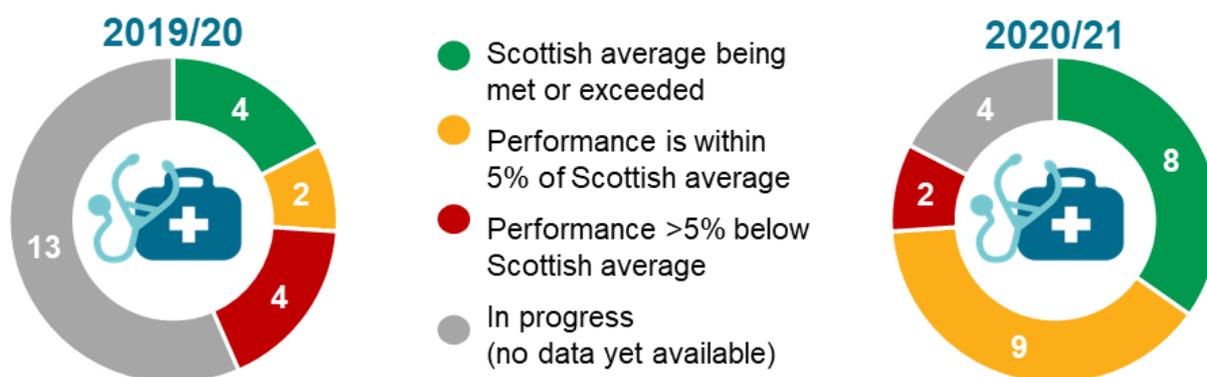
**76.** The core suite of integration indicators was published by the Scottish Government in July 2021. Although these are the latest indicators, they do not all relate to 2020/21 with survey results for example relating to 2019/20. Fife's performance compared to the Scottish average has improved with only two of the data indicators more than 5% below the Scottish average (Exhibit 5).

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## Exhibit 5

### Performance against core suite of integration indicators

Comparative performance on data indicators in 2020/21: 8 green, 9 amber, 2 red.



Source: Fife IJB performance reports and Public Health Scotland release September 2020 & July 2021

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**77.** The two indicators where Fife are more than 5% below the Scottish average are: 'Falls rate per 1,000 population aged 65+'; and 'Number of days people spend in hospital when they are ready to be discharged (per 1,000 population)'.

**78.** The most recent performance report to the IJB highlighted the rise in demand for care at home services and the number of people waiting for care packages. Indicators for these service areas do not include the length of wait for care.

**79.** The use of performance information during the pandemic has been problematic due to the disruption to services. There have also been issues with the provision of sickness absence information from the Council's new HR system during 2020/21. Timely sickness absence information for council staff continues to be an issue.

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

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

**81.** The proposals have been discussed at an IJB development session and the IJB is preparing a response to the consultation.

### **National performance audit reports**

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

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

# Appendix 1

## Action plan 2020/21

### 2020/21 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Supporting working papers</b></p> <p>2020/21 was a complex year with the need to identify Covid-19 costs separately and track many changes to funding and budgets.</p> <p>Working papers provided to the IJB finance staff were not always transparent, complete, or properly supported.</p> <p>Risk – There is an increased risk of error and an impact on the time taken to produce and audit the accounts.</p>	<p>Ensure that working papers provided in respect of changes in funding and budgets are complete and properly supported.</p> <p><a href="#">Paragraph 15</a></p>	<p>Further work with partners to ensure that working papers are more transparent and complete.</p> <p>Audrey Valente</p> <p>31 March 2022</p>
<p><b>2. Performance information in management commentary</b></p> <p>The management commentary should include financial key performance indicators together with other key performance indicators necessary to measure progress against objectives and priorities. There was a lack of performance information included in the management commentary.</p> <p>Risk – That the audit opinion on the management commentary could be qualified.</p>	<p>Make better use of performance information to support the strategic story in the management commentary.</p> <p><a href="#">Paragraph 15</a></p>	<p>Further work with Head of Strategic Planning, Performance and Commissioning to ensure that the management commentary makes fuller use of performance information.</p> <p>Audrey Valente</p> <p>31 March 2022</p>

Issue/risk	Recommendation	Agreed management action/timing
<p><b>3. Annual Governance Statement</b></p> <p>The Annual Governance Statement is required to include an agreed action plan to deal with significant governance issues. There is scope to better link actions, focus on significant weaknesses and include timescales.</p> <p>Risk – That the audit opinion on the Annual Governance Statement is qualified.</p>	<p>Continue to refine the Annual Government Statement through a focus on significant weaknesses with clear linkage to actions and time scales.</p> <p><a href="#">Paragraph 15</a></p>	<p>The Annual Governance Statement action plan to be refined for 2021/22 accounts.</p> <p>Audrey Valente</p> <p>31 March 2022</p>
<p><b>4. Constituent body contributions</b></p> <p>Budget setting reports do not make it clear how constituent body contributions have been uplifted. In 2020/21 a late additional contribution from NHS Fife was received in the relation to uplift on the resource transfer amount.</p> <p>Risk – that budget contributions are not in accordance with the agreed approach.</p>	<p>Make it clearer in budget setting reports how contributions have been uplifted.</p> <p><a href="#">Paragraph 37</a></p>	<p>Budget setting report to be made clearer for 2022/23 budget.</p> <p>Audrey Valente</p> <p>31 March 2022</p>
<p><b>5. Best Value reporting</b></p> <p>The requirements for the annual performance report include an assessment of whether best value in the planning and delivery of services has been achieved. However, coverage has been limited.</p> <p>Risk – that Best Value is not properly demonstrated.</p>	<p>Consider fuller coverage of Best Value responsibilities in the annual performance report.</p> <p><a href="#">Paragraph 68</a></p>	<p>The performance report for 2021/22 will include fuller coverage of best value.</p> <p>Fiona McKay</p> <p>30 September 2022</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<b>b/f 1. Accounting for income</b>	Ensure that the revised integration scheme covers the treatment of income for accounting purposes and the accounts are consistent with the integration scheme.	<b>Complete</b> - pending approval of revised Integration Scheme by Scottish Government. Audrey Valente 30 Sept 2021.
<b>b/f 2. Budget setting</b>	Budgets should be set by the IJB at activity level in line with strategic priorities.	<b>Outstanding</b> Audrey Valente March 2022
<b>b/f 3. Finance reports</b>	Improve finance reports by analysing expenditure fully across services, explaining changes in budgets, and including activity information and unit costs.	<b>Ongoing</b> Expenditure now more fully analysed to services. Work ongoing to explain budget changes and include activity information. Audrey Valente March 2022
<b>b/f 4. Operational financial management</b>	Consider the need for more detailed review of financial management arrangements in areas of service overspend.	<b>Ongoing</b> Work ongoing with Adult Placements and will continue where overspends are identified. Audrey Valente. March 2022.
<b>b/f 5. Savings plans</b>	Detailed plans should be developed for the delivery of the redesign and transformation initiatives in the Medium Term Financial Strategy.	<b>Ongoing</b> New structure in place since July 2021. Project Management Office in development. Audrey Valente March 2022
<b>b/f 6. Medium Term Financial Strategy</b>	Update the MTFS to take account of the impact of Covid 19.	<b>Ongoing</b> The MTFS was updated as part of budget setting for 2021/22. It was not possible

Issue/risk	Recommendation	Agreed management action/timing
		<p>to anticipate current levels of demand as part of that update. Further updates needed in the run up to budget setting for 2022/23.</p> <p>Audrey Valente March 2022.</p>
<p><b>b/f 7. Governance arrangements</b></p>	<p>Ensure that the revised governance arrangements are clear on operational management responsibilities.</p>	<p><b>Ongoing</b></p> <p>The revised integration is clear that operational management is not delegated to the IJB.</p> <p>The governance review is ongoing and will ensure that language used is consistent with the revised integration scheme.</p> <p>Nicky Connor / Avril Sweeny. March 2022</p>
<p><b>b/f 8. Revised Integration Scheme</b></p>	<p>The updated Integration Scheme should be approved and submitted to the Scottish Government by 31 March 2021.</p>	<p><b>Complete</b></p> <p>The revised integration scheme has been submitted to the SG for approval.</p> <p>Nicky Connor October 2021.</p>
<p><b>b/f 9. Transformation plans</b></p>	<p>Ensure that transformation initiatives are reviewed and revised to reflect the impact of Covid-19</p>	<p><b>Ongoing</b></p> <p>New structure in place since July 2021. Project Management Office in development.</p> <p>Audrey Valente March 2022</p>
<p><b>b/f 10. Performance reporting</b></p>	<p>Improve performance reporting through the inclusion of concise summaries and clearer conclusions.</p>	<p><b>Ongoing</b></p> <p>Further improvements planned during 2021/22.</p> <p>Fiona McKay March 2022.</p>

Issue/risk	Recommendation	Agreed management action/timing
<b>b/f 11. Emergent good practice</b>	Undertake a review of the emergent good practice identified by Health and Social Care Scotland and assess the suitability of initiatives for Fife.	<b>Outstanding</b> Review to be carried out in 2021/22

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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.

### Risks of material misstatement in the financial statements

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by the management override of controls</b></p> <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<p>Agreement of balances and transactions to Fife Council and NHS Fife financial reports / ledger / correspondence.</p> <p>Service auditor assurances will be obtained from the auditors of Fife Council and NHS Fife over the completeness, accuracy and allocation of income and expenditure. These may be affected by audit timetables, which are yet to be agreed with the partners.</p> <p>Review of year-end adjustments and journals.</p> <p>On-going review of financial position.</p>	<p>We undertook additional audit work to agree additional funding to partners and this resulted in changes to the funding and expenditure recorded in the audited accounts.</p> <p>We have also made recommendations to improve records of funding and budget changes.</p> <p>We have commented on the financial position in 2020/21 and the outlook for 2021/22.</p> <p>We received assurances from the auditors of NHS Fife and Fife Council on their financial systems and additional audit procedures to address any systems weaknesses.</p> <p>We did not identify any management override of controls and concluded that the financial position of the IJB was supported.</p>

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

Audit risk	Assurance procedure	Results and conclusions
<p><b>2. Financial Management</b></p> <p>The IJB has not realigned budgets in line with strategic priorities to address areas of recurrent under and overspend.</p> <p>Covid-19 has impacted savings delivery in 2020-21 resulting in a forecast overspend for the year of £6.8m.</p> <p>It is unclear whether additional funding will be made available to compensate for all Covid-19 costs including undelivered savings. The IJB is currently forecasting a budget overspend of £6.8m.</p> <p>It is unclear whether there are underlying issues with operational financial management that need to be addressed.</p>	<p>Review the budget setting process for 2021/22.</p> <p>Consider an area of overspend in 2020/21 to identify the underlying reasons for the overspend and management actions to address this.</p> <p>Review of finance reports.</p> <p>Establish the funding and cost impacts of Covid-19 on 2020/21 outturn.</p>	<p>We identified a material error in the accounts relating to £11 million of Covid-19 costs and funding not previously included.</p> <p>There was some budget realignment during the year although this had not been reflected in the accounts correctly. A £4.1million adjustment was made.</p> <p>We found that there remains scope to improve the transparency and quality of budget setting and finance reports.</p> <p>We found a clear commitment to further improve financial management.</p>
<p><b>3. Financial sustainability</b></p> <p>The IJB set a balanced budget for 2020-21 but the delivery of planned savings has been impacted by the disruption to operations caused by Covid-19.</p> <p>Savings planned for future years in the medium-term financial strategy have been impacted by Covid-19.</p> <p>Delivery of redesign and transformation is becoming increasingly critical.</p>	<p>Review the updated medium-term financial strategy.</p> <p>Consider the robustness of future savings plans.</p> <p>Consider progress with delivery of the transformation programme.</p>	<p>The medium term financial strategy has been updated but does not demonstrate that demographic pressures can be met.</p> <p>Delivery of savings plans for 2021/22 have again been impacted by Covid-19.</p> <p>Transformation responsibilities have been clarified and a project management office is being set up to help deliver change.</p> <p>Long term planning has not yet been developed.</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>4. Value for money</b></p> <p>The IJB is not currently demonstrating value for money and continuous improvement through the effective use of performance information.</p>	<p>Review routine performance reports and the use of performance information in the annual report and the annual accounts.</p>	<p>There is limited coverage of best value in the annual performance report and there remains scope for increased use of performance information in the management commentary to the annual accounts.</p>

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# Appendix 3

## Summary of national performance reports 2020/21

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### April

[Affordable housing](#)

### June

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

[Local government in Scotland Overview 2020](#)

### July

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

### January

[Digital progress in local government](#)

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

### February

[NHS in Scotland 2020](#)

### March

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

# Fife Integration Joint Board

## 2020/21 Annual Audit Report

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