

Falkirk Integration Joint Board

**Annual Audit Report to Members
and the Controller of Audit - year
ended 31 March 2022**

September 2022

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Falkirk Integration Joint Board (the IJB) for financial years 2016/17 to 2021/22. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

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Executive Summary: Key Conclusions from our 2021/22 audit

We issued an unqualified audit opinion on the IJB's 2021/22 financial statements

Financial Statements

We have concluded our audit of the financial statements of Falkirk Integration Joint Board ("IJB" or "the Board") for the year ended 31 March 2022. One adjustment has been made to the financial statements since the presentation of the unaudited accounts in June 2022. The draft financial statements and supporting working papers were of good quality, which is in line with previous years. We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate.

Scope update

The IJB's Audit Committee considered our audit planning report at its meeting on 11 March 2022. At the meeting, we provided an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Our Annual Audit Plan communicated that our audit procedures would be performed using an overall materiality of £2.5 million. We have assessed that this level of materiality remains appropriate for the actual outturn for the 2021/22 financial year. Performance materiality remains at 75% of overall materiality at £1.9 million.

Going Concern

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity. The Scottish Government introduced a National Care Service (Scotland) Bill to Parliament on 20 June 2022. Under these plans, the functions of the IJB would transfer to become the responsibility of a National Care Service by 2026. As a result, we remain satisfied that the going concern basis remains appropriate for the IJB.

It is a requirement under revised auditing standard ISA 570 that we consider and challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. We had no matters that we are required to draw attention to within our opinion, and we were satisfied with the going concern disclosures within Note 1 to the financial statements.

We continued to review and update our risk assessment throughout the audit, including the materiality level applied. No changes were required as a result of this review.

Wider Scope and Best Value

We summarise the conclusions we reached in response to our work on the wider scope dimensions below.

Financial Management



Late funding allocations meant that the IJB recorded a significant underspend for 2021/22, which allowed it to further increase its reserves balances to £37.053 million.

Financial monitoring arrangements are robust. Quarterly updates to the Board remained accurate and consistent throughout the year but highlighted the challenges of delivering savings during the response to the pandemic.

An interim Chief Finance Officer is in place and the IJB has recognised that financial capacity needs to be strengthened to continue to meet reporting requirements. A self assessment of arrangements against the CIPFA Financial Management Code is planned.

Financial Sustainability



Underspends as a result of late funding allocations mean that the IJB has now exceeded its target level of reserves. Forecasts for 2023/24 and beyond continue to present a challenging outlook. The Board's general reserve, available to meet unexpected costs, increased to £2.36 million, which exceeds the reserves target.

Work to update the Strategic Plan is underway but there is an urgent need to update the Medium Term Financial Plan to support its delivery. This will include plans to respond to a significant budget gap, along with the expected longer term impact of Covid-19 on services and on workforce planning.

Governance & Transparency



While the IJB continues to demonstrate good practice in reporting on progress against priority improvement actions, a significant number of improvements have been delayed due to the ongoing impact of the pandemic.

Work to update the Integration Scheme and set aside arrangements remains ongoing. We have highlighted the significance of agreeing risk sharing arrangements, and corporate support services on the IJB's ability to deliver its priorities.

Value for Money



The IJB exercised powers granted under the Coronavirus (Scotland) Act 2020 to delay the publication of the Annual Performance Report for 2021/22. It will be published in October 2022.

In common with other IJBs, the impact of the pandemic has meant that performance declined during 2021/22 across a range of indicators. The Annual Performance Report does, however, feature the work undertaken to begin to transform services, such as bed-based care planning and the Falkirk Community Hospital masterplan.

Best Value Conclusions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to our overall assessment and assurance on the IJB's achievement of Best Value. We have noted in prior years that delays to integrate services in line with the expectations within the Integration Scheme had impacted the IJB's ability to shift the balance of care. During 2021/22 we noted that further progress has been made to integrate services but that the IJB's performance overall continues to be significantly impacted by the response to the pandemic.



Introduction

As a result of the impact of Covid-19, Audit Scotland and the Accounts Commission agreed to extend our appointment as external auditor of the IJB to 2021/22.

Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of Falkirk Integration Joint Board (the IJB or Board). Our appointment term was extended by 12 months, to financial year 2021/22t, as a result of the impact of the global pandemic. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the IJB and the Controller of Audit, and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the IJB. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the IJB employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the IJB in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and Responsibilities

The Code sets out the responsibilities of both the IJB and the auditor (summarised in Appendix A).

Financial statements audit

We are responsible for conducting an audit of the IJB's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view of the financial position of the IJB as at 31 March 2022 and its expenditure and income for the year then ended; and
- ▶ whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. We outlined the significant risks and other focus areas for the 2021/22 audit in our Annual Audit Plan, which was presented to the audit committee on 11 March 2022.

One significant risk was identified in relation to the risk of fraud in expenditure recognition, which includes the risk of management override of controls. We consider this risk to manifest itself through the manipulation of expenditure recognition. In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 2 of this report.

We remain satisfied that the values reported in our Annual Audit Plan for planning materiality, performance materiality and our audit threshold for reporting differences remain appropriate.

Application of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £2.5 million. We have considered whether any change to our materiality was required in light of the financial impact of Covid-19 and we remain satisfied that the materiality values reported within our Annual Audit Plan remain appropriate.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

Overall Materiality

£2.5 million

1% of the IJB's net expenditure

Performance Materiality

£1.9 million

Materiality at an individual account level

Reporting Threshold

£125,000

Level that we will report to committee

As we outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

Wider Scope audit

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the IJB, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for money.

Our Annual Audit Plan identified one area of significant risk in relation to the wider scope dimensions, regarding the development of a robust Medium Term Financial Plan. Our findings are summarised in Section 3 of this report.

Best Value

Our Annual Audit Plan outlined a requirement to comment on how effectively the IJB demonstrates that it meets its Best Value responsibilities. We continue to consider the IJB's arrangements against guidance issued by Audit Scotland, *Auditing Best Value - Integration Joint Boards (March 2018)*. We outline our assessment for 2021/22 in Section 3 of this report. We also draw attention to expected revisions to arrangements under the new Code of Audit Practice for 2022/23 and beyond.



Financial Statements audit

Introduction

The annual financial statements allow the IJB to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted one area that we identified as a fraud risk relating to the presumed risk of fraud in revenue and expenditure recognition, including through management override of controls. For the IJB, we consider this risk to manifest itself as an expenditure recognition risk.

Compliance with Regulation

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the IJB to prepare financial statements, ensure their availability for public inspection and consideration by the board or a committee with an audit or governance remit. The IJB complied with the regulations and the normal timescale concerning preparation, publication and approval of its annual financial statements. We received the unaudited financial statements on 20 June 2022, in line with planned timescales.

The inspection notice was on 27 May 2022, and the inspection period began on 10 June 2022, in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

Audit Status

One adjustment has been made to the financial statements since they were submitted for audit, relating to a late accrual of provider relief. This was identified through the 2022/23 Quarter 1 review process which showed additional Covid-related provider relief costs that related to 2021/22.

Our overall audit opinion is summarised on the following page.

The Regulations were amended to allow the IJB to delay preparation of the financial statements. However, the draft financial statements were submitted for audit in line with planned timescales. The inspection notice was published in accordance with requirements.

Our audit opinion

Element of opinion

Basis of our opinion

Conclusions

<p>Financial statements</p> <ul style="list-style-type: none"> ▶ Truth and fairness of the state of affairs of the IJB at 31 March 2022 and its income and expenditure for the year then ended ▶ Financial statements in accordance with the relevant financial reporting framework and 2021/22 Code 	<p>We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.</p> <p>We are satisfied that accounting policies are appropriate and estimates are reasonable</p> <p>We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.</p>	<p>We have issued an unqualified audit opinion on the 2021/22 financial statements of the IJB.</p>
<p>Going concern</p> <ul style="list-style-type: none"> ▶ We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting 	<p>We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis</p> <p>Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.</p>	<p>In accordance with the work reported on page 12, we have not identified any material uncertainties.</p>
<p>Other information</p> <ul style="list-style-type: none"> ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit 	<p>The Chief Finance Officer is responsible for other information, included in the financial statements.</p> <p>We conduct a range of substantive procedures on the financial statements and our conclusion draws upon Review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector.</p>	<p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p>
<p>Matters prescribed by the Accounts Commission</p> <ul style="list-style-type: none"> ▶ Audited part of remuneration report has been properly prepared. ▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared. 	<ul style="list-style-type: none"> ▶ Reviewing the content of narrative disclosures to information known to us. ▶ Our assessment of the Annual Governance Statement against the Delivering Good Governance Code. 	<p>We have issued an unqualified opinion.</p>
<p>Matters on which we are required to report by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> ▶ there has been a failure to achieve a prescribed financial objective, ▶ adequate accounting records have been kept, ▶ financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or ▶ we have not received the information we require. 	<p>We have no matters to report.</p>

Significant and fraud audit risks

Risk of Fraud in expenditure recognition, including through management override of controls

What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

As there is no material judgement associated with the recognition of the IJB's funding from Falkirk Council and NHS Forth Valley, we have determined that the risk of revenue recognition does not materialise within this area.

What judgements are we focused on?

For expenditure we focus on the risk in relation to the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners. There may be judgement in the timing of the recognition of expenditure.

What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2021/22 our work included:

- ▶ We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services. Management present financial information to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the year end also made clear that the year end outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from Falkirk Council and NHS Forth Valley.
- ▶ Review of additional revenue streams and cut-off testing for additional income received as a result of the Covid-19 outbreak.
- ▶ As part of the year end process, the IJB obtained written confirmation statements from the Director of Finance at NHS Forth Valley and Section 95 Officer at Falkirk Council of the spend by the respective bodies on delivering services, and hence their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- ▶ We obtained independent confirmation from the appointed auditor at both Falkirk Council and NHS Forth Valley of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.

Our conclusions

As outlined in Appendix F, we identified one adjustment to expenditure that was processed after the publication of the unaudited financial statements. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

Risk of management override

Our Annual Audit Plan recognised that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of Fraud

- ▶ We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

- ▶ We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the IJB, which are hosted on the Falkirk Council financial ledger. All of the journals for the IJB's transactions were posted at the year end and we reviewed all transactions in the course of our work.

Judgements and Estimates

- ▶ We agreed with management's assessment that there are no material accounting estimates included in the financial statements. We confirmed the process for ensuring that there were no claims applicable to the IJB which required provision to be made as part of its participation in CNORIS (Clinical Negligence & Other Risks Indemnity Scheme).

Accounting Policies

- ▶ We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the IJB to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under IFRS or the Code.

Our conclusions

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity. CIPFA bulletin 05 (issued at closure of the 2019/20 financial statements) states that while there is likely to be a significant impact of Covid-19 on local authority financial sustainability, the rationale for the going concern basis of reporting has not changed.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements, including the expected impact on the Five Year Financial Plan.

The IJB has received further financial support to meet the additional costs and unachieved savings associated with the pandemic in February 2022. As a result, the funding to date has exceeded the additional costs of Covid-19, and the balance has therefore been transferred to the IJB's reserves. This financial support has reduced the financial risk and uncertainty during the going concern period. The IJB holds earmarked reserves at 31 March 2022 of £34.696 million, and a further general reserve of £2.357 million.

The Integration Scheme sets out the process to be followed should the IJB overspend in any financial year. Where an unexpected overspend is likely, the Chief Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partners, to agree a recovery plan to balance the budget. Where this is unsuccessful and the IJB overspends at the year end, partners provide a voluntary additional one-off payment to reflect the level of overspend.

The IJB has therefore concluded that there are no material uncertainties around its going concern status and ultimately any costs will be met by the IJB's partners in line with the terms of the Integration Scheme.

Our conclusions

- ▶ We are satisfied that the IJB remains a going concern.
- ▶ We have worked with management to enhance the going concern disclosures within the financial statements.

Best Value and Wider Scope dimensions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value on page 23.

Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the IJB's arrangements for the four wider scope audit dimensions, and draw upon these assessments to form conclusions on the IJB's ability to demonstrate Best Value in its activities. We draw upon this work within our conclusions on page 23.

Under the Code of Audit Practice, we apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. In doing so, we draw upon conclusions expressed by other bodies including the IJB's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

The Wider Scope dimensions

Financial Management:

- ▶ Considers the effectiveness of financial management arrangements, including financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial Sustainability:

- ▶ Considers the medium and longer term outlook to determine if financial planning is effective in supporting service delivery.

Governance and Transparency:

- ▶ Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.

Value for Money

- ▶ Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

Financial Management

Our overall assessment: Amber



Financial Position

The IJB's financial outturn continued to be significantly impacted by the response to the Covid-19 pandemic throughout 2021/22. The IJB recorded an underspend of £19.053 million (2020/21: underspend of £11.414 million) as a result of:

- ▶ The late allocation of £15.536 million of additional funding from the Scottish Government to meet Covid-19 costs in 2022/23 and beyond;
- ▶ Additional funding to respond to winter pressures, totalling £3.892 million.

Due to the timing of the allocations, the IJB reserves continued to increase significantly. Audit Scotland note in their June 2022 [Financial Analysis of IJBs](#) that in 2020/21, all IJBs recorded an increase in their level of reserves, with the overall reserve balance held by IJBs increasing by £437 million (304 per cent), primarily as a result of significant Covid-19 funding and the inability to complete programmes of activity during the pandemic.

Audit Scotland note that the total reserves balances held as a proportion of each individual IJB's net cost of services in 2020/21 varied between 2.2% and 12.2%. Falkirk's proportion in 2020/21 was 7.3%, the eighth highest nationally.

As Exhibit 1 outlines, the IJB's overall reserves further increased from £18 million in 2020/21, to £37 million in 2021/22. We do, however, note that £34.7 million (around 94%) of the reserves held are earmarked for specific purposes. This includes Covid reserves of £16 million, which are expected to be used in full in 2022/23.

An increase in general reserves will allow the IJB to invest to support the delivery of the refreshed Strategic Plan.

General, unearmarked reserves increased to £2.357 million, exceeding the IJB's current strategy of holding a recommended maximum of £1.079 million in contingency. While we consider that it remained appropriate to hold additional reserves during the period of uncertainty caused by the pandemic, there is now an opportunity to plan for the use of reserves to support the delivery of the refreshed Strategic Plan.

Exhibit 1: The IJBs Reserves continued to rise in 2021/22, but the majority of reserves are earmarked for Covid or planned improvement programmes



Source: Falkirk IJB Financial Outturn 2021/22

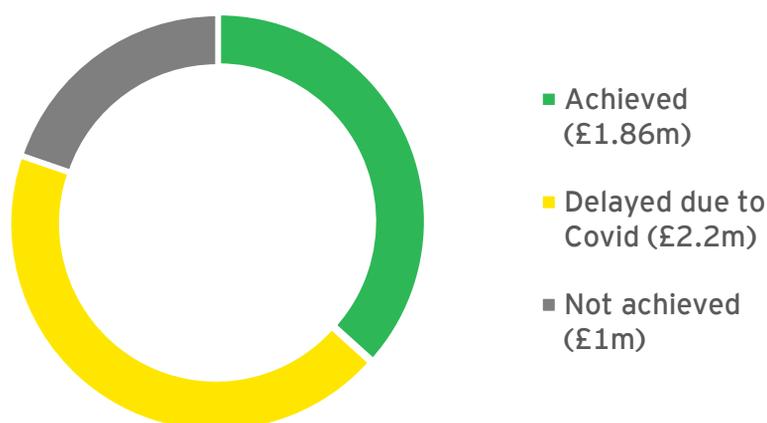
Financial Monitoring arrangements

The budget approved by the IJB prior to the start of the financial year was prepared on an indicative basis as confirmation of a number of outstanding financial planning assumptions were pending, and both Partners were yet to formally agree their respective budgets.

At this time, the IJB was unable to set a balanced budget and the interim budget approved in March 2021 outlined a funding gap of £6.091 million in 2021/22. The risk remained with NHS Forth Valley for Set Aside delegated budgets of £1.435 million, leaving a remaining gap to be bridged of £4.656 million.

The IJB monitored progress against the savings target throughout the year. However, as Exhibit 2 highlights, a range of savings were delayed due to the impact of Covid. This impact was recognised in the allocation of Covid funding, although we note that this funding is provided on a non-recurring basis. The targeting and achievement of savings must therefore be a key consideration for the updated Medium Term Financial Plan.

Exhibit 2: The IJB struggled to achieve the identified savings throughout the year, with a number delayed due to the impact of Covid.



Source: Financial Monitoring reports to Falkirk IJB 2021-22

Set Aside Arrangements

An expert working group was set up during 2019/20 (with dedicated external modelling and statistical support) to progress the implementation of statutory guidance regarding set aside arrangements. This involved collaboration with NHS Forth Valley, and Clackmannanshire and Stirling IJBs. However further scheduled activity was delayed as a result of the pandemic. We note that more work is needed to develop efficiency plans with NHS Forth Valley in relation to set aside services.

CIPFA Financial management code

Recommendation 1:

The IJB should conduct a self-assessment against the CIPFA Financial Management Code.

Compliance with the CIPFA Financial Management Code became a requirement for all local government bodies in 2021/22. The Code provides guidance for good and sustainable financial management and provides assurance that authorities are managing resources effectively. It requires organisations to demonstrate that the processes they have in place satisfies the principles of good financial management.

A self-assessment of the IJB's financial management arrangements against the Code is underway and the outcome and associated action plan is expected to be reported in 2022/23. This has been identified as an area for improvement within the IJB's Annual Governance Statement.

Finance Capacity

Recommendation 2:

As part of the finalisation of the updated Integration Scheme, the IJB should work with partners to ensure that corporate support arrangements remain adequate and fit for purpose.

The IJB does not directly employ staff and instead relies upon its partners to provide corporate and other support functions. The IJB has accountancy, risk management and performance support from both partners. There are, however, increasing demands on Chief Finance Officers across Scotland as a result of ongoing work on the cost impact of Covid-19, the need to respond to expectations about medium term financial planning, and preparation for the National Care Service. Similarly, there are increasing demands on procurement functions as a result of the need to support care home providers, including the distribution of sustainability payments.

The IJB has operated with an Interim Chief Finance Officer since May 2022 and the recruitment process for this post remains ongoing. Proposals to grow the leadership and support the workforce of the IJB are currently being refined, including proposed investment in a Senior Accountant post to provide additional financial capacity. The IJB should work with partners to ensure that corporate support arrangements remain adequate and fit for purpose.

Financial Sustainability

**Our overall
assessment:
Amber**



National Care Service Bill

In June 2022, the Scottish Government published the National Care Service Bill. Proposals within the Bill would make Scottish Ministers accountable for adult social care in Scotland. The National Care Service will define the strategic direction and quality standards for community health and social care across Scotland.

Current IJB arrangements are expected to be replaced by local delivery boards. "Care Boards" which will work with the NHS, local authorities, and the third and independent sectors to plan, commission and deliver support and services for communities. Social care services currently provided in-house by local authorities, may continue under a commissioning arrangement with the care board. However, the care board may take over direct delivery, with staff transferring employment from a council to the care board.

The Bill explains that the detail of how the new service will work will be co-designed with people who have direct experience of social care services. The National Care Service is expected to be created in 2025/26. As a result of these changes, along with the ongoing impact of the pandemic, the IJB is responsible for strategic planning for health and social care during a significant period of uncertainty.

Strategic Plan

The Public Bodies (Joint Working) Scotland Act 2014 requires IJBs to produce a Strategic (Commissioning) Plan and to review this every three years. Reviews do not necessarily mean the creation of a new plan, and could result in a decision to continue with the same plan for a further period.

A joint workshop was held in July 2021 to assess the continued relevance of the IJB's Strategic Plan 2019-2022. The workshop considered the rationale for a delay in producing a new plan, including factors such as;

- ▶ Covid-19 related factors, including resource implications and needing time to reflect on the lessons learned from the pandemic;
- ▶ a number of significant work programmes were underway over the same period; and
- ▶ ongoing Covid-19 restrictions could limit the engagement process.

Following the review, it was considered that the vision of the Strategic Plan remained clear and relevant and that the outcomes remained appropriate. In September 2021, the Board approved the extension of the IJB's Strategic Plan 2019-22 for a further year, while committing to have a new Plan in place from April 2023.

The Strategic Planning Group will oversee the development of a refreshed Strategic Plan 2023-26, informed by a public consultation on the main challenges identified so far from the Joint Strategic Needs Assessment.

Financial Planning

The IJB's Medium Term Financial Plan (MTFP) currently covers the period to 2024/25 and is based on the current Strategic Plan, therefore preceding the impact of the pandemic. An updated MTFP is being developed to reflect the post pandemic operating environment and a number of significant policy developments in relation to adult social care. This is anticipated to align with the refreshed Strategic Plan, which is expected to be finalised in April 2023.

Recommendation 3:

The IJB should ensure that longer term financial planning is in place to support the delivery of the Strategic Plan.

The IJB faces a significant continuing financial challenge, despite the level of reserves that the IJB held at 31 March 2022. Key costs pressures including the impact of likely pay settlements, general inflation and Covid costs mean that uncertainty remains about the financial position for the new Strategic Plan.

During 2021/22, the IJB recognised additional costs associated with the pandemic of £7.334 million, which included costs associated with:

- ▶ provision of Personal Protective Equipment (PPE);
- ▶ support for external Social Care Providers, particularly in relation to Care Home occupancy and reimbursement of additional costs incurred by all provider services; and
- ▶ additional temporary staffing costs, including use of agency, staff bank and overtime.

The allocation of additional Covid-19 funding in February 2022 is understood to be a final position, and no further funding will be available in 2023/24 and beyond.

Workforce Plan 2022-2025

All Health and Social Care Partnerships were required to submit 3-year Workforce Plans to the Scottish Government by 31 March 2022 which mapped the medium-term needs of the workforce, including inequalities and areas of recruitment difficulty. The Scottish Government subsequently confirmed an extension to the deadline for submission to 31 July 2022. The IJB submitted a Workforce Plan that is aligned to the current Strategic Plan and is based on the Five Pillars of Workforce Planning, as outlined within the National Workforce Strategy.

The Workforce Plan recognises the challenges that the IJB faces in recruitment and retention, and sets out a range of actions in development to address these. The Plan acknowledges the impact that the pandemic had on the workforce and on working arrangements across the partnership, and highlights the importance of embedding a focus on wellbeing into the culture as the IJB transforms out of the Covid environment.

Governance and Transparency

Our overall assessment:
Amber



Local Code of Corporate Governance

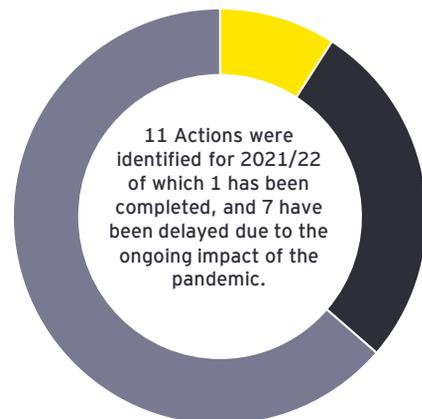
The IJB complies with the CIPFA framework for *Delivering Good Governance in Local Government*, in the preparation of its Annual Governance Statement (AGS). From December 2021, the Audit Committee were provided with quarterly progress reports against the improvement actions made in the 2020/21 Annual Governance Statement.

As Exhibit 3 notes, 1 of the 11 actions were completed as planned and 3 remain on track for completion within the expected timeframe. However, the remaining 7 actions were delayed due to Covid-19, which includes work on the medium term financial plan and approval of a revised Integration Scheme. These actions remain significant priorities for the IJB.

Exhibit 3: Lack of capacity meant that limited progress was made against the improvement actions identified in the 2020/21 Annual Governance Statement

The AGS continues to demonstrate good practice in reporting on progress against priority improvement actions for the IJB.

- Complete
- On track
- Delayed



Source: Falkirk IJB Annual Governance Statement

Annual Governance Statement

The IJB's own assessment of the effectiveness of governance arrangements acknowledges the ongoing work to address significant governance development areas, but concludes that the internal control environment provides reasonable and objective assurance that significant risks would be identified and mitigated. We reviewed the AGS against the required guidance and we were satisfied that it was materially consistent with both the governance framework and key findings from relevant audit activity, including the Chief Internal Auditor's Annual Assurance Report.

Annual Assurance Report

The annual internal audit assurance report opinion and conclusion provides substantial assurance on the IJB's arrangements for risk management, governance, and control for the year to 31 March 2022.

While the ability to complete the IJB's internal audit plan for 2021/22 was impacted by lockdown arrangements, reports on the following two planned reviews were issued in May 2022;

- ▶ Directions; and
- ▶ Resilience and Business Continuity.

The internal audit manager drew on substantial internal audit assurance work across the partnership to form her opinion.

Internal Audit Arrangements

The responsibility for leading on the provision of the Falkirk IJB internal audit function rotates on a three-yearly basis. From April 2022, the Chief Internal Auditor of Fife, Tayside and Forth Valley Internal Audit Consortium took over the provision of the internal audit service.

Integration scheme review

Legislation requires that the Integration Scheme which governs the operations of the IJB is reviewed by the partners at least every five years. A review was initially scheduled to have been concluded by November 2020, but was impacted by the pandemic.

During 2021/22, a first stage consultation of the Integration Scheme was conducted in the form of an online survey. The outcome of this was presented to the Board in September 2021, highlighting 3 key areas of the Scheme to be prioritised for review:

- ▶ governance;
- ▶ operational delivery arrangements and the role of the Chief Finance Officer; and
- ▶ finance and specifically risk sharing.

It is critical that progress continues to review the Integration Scheme to ensure that the IJB's governance arrangements are sufficient and up to date. While the review remains the responsibility of the partners, it will have a significant impact on the development of the IJB's financial planning.

Audit Committee arrangements

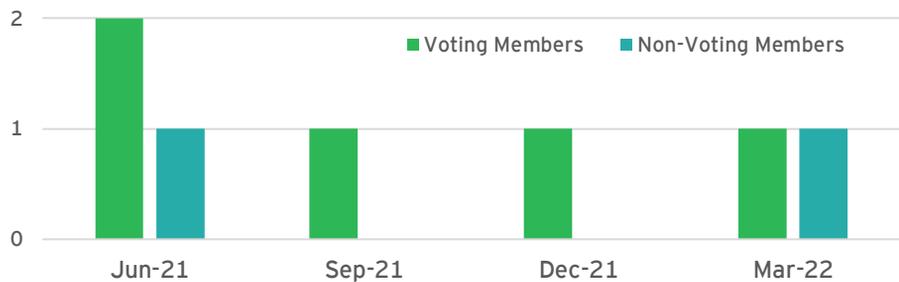
The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, as well as independent scrutiny of the financial and non-financial performance.

As outlined within its terms of reference, the Audit Committee is comprised of two voting members and two non-voting members. Throughout 2021-22, a non-voting position was vacant and a voting position became vacant from September 2021. While the quorum for the committee is one voting member, the Audit Committee cannot be fully effective in its scrutiny role when attendance is limited.

Recommendation 4:
The IJB should ensure that the Audit Committee is supported to conduct a self-assessment against good practice principles.

We note that a number of new appointments have been made to the Audit Committee to fill vacancies and to reflect the representation of Falkirk Council following local government elections. As a result, there is an opportunity for the committee to assess its arrangements against CIPFA's *Good Practice Audit Committees Principles Checklist* to ensure that any improvements or training needs can be identified.

Exhibit 4: Audit Committee attendance varied throughout 2021-22 as a result of unplanned vacancies



Source: Audit Committee Annual Assurance Statement

Value for Money

**Our overall
assessment:
Amber**



Annual Performance Report

The IJB considered a draft Annual Performance Report for 2021/22 in August 2022. The Board will continue to exercise the powers granted to public authorities under the Coronavirus (Scotland) Act 2020 to delay the publication of the Annual Performance Report for 2021/22 to October 2022.

The draft Annual Performance Report includes explanation of the key areas of spend, financial challenges, and how the IJB works with communities, along with performance data from the partnership. The report includes a range of good practice case studies, including:

- ▶ Progress on the redesign of services, including Torwoodhall, the Falkirk Community Hospital Masterplan and an initial review of bed-based care provision.
- ▶ The development of digital inclusion schemes, including the Living Well Falkirk website and drawing on the Falkirk Digital Inclusion Fund for individuals who were digitally excluded.
- ▶ The differences that services have made to individuals and their carers, such as the roll out of Changing Places toilets, the Food Train and tailored support for carers.

The IJB's performance reporting includes the results of the Scottish Health and Care experience survey, reporting that six of the nine indicators reported scores for Falkirk below the Scottish average. The performance reported against the data from the latest available Scottish Morbidity Records noted only one indicator similar to the performance of Scotland, with the remaining 8 below the national average.

Due to the difficulty in comparing performance to prior years as a result of the pandemic, the IJB compared its performance in 2021/22 to the Scottish average. Nationally, performance decreased for 15 out of 18 indicators as a result of the impact of the pandemic. However, we noted that Falkirk's performance decreased against 16 of the 18 indicators overall when compared to the prior year. Where relevant, the report outlined the impact of Covid-19 and lockdown arrangements on both positive and negative performance trends.

Performance Monitoring

The IJB receives a regular comprehensive Performance Monitoring Report to support its focus on key performance issues and actions aligned to the Strategic Plan. Dashboards are used to provide an easy to understand summary of performance and the direction of travel, supported by additional explanation within exception reports where performance has fallen. Performance indicators are monitored on an ongoing basis across the health and social care partnership, including the Partnership Management Team.

Best Value: Our assessment

Our overall assessment:
Amber



Best Value Responsibilities

As auditors to the IJB, we are required to comment on how effectively, in our view, the IJB demonstrates that it meets its Best Value responsibilities to the Board.

In 2020/21, we supported the IJB's self-assessment against guidance issued by Audit Scotland in March 2018, *Auditing Best Value - Integration Joint Boards*. We noted that progress to integrate services in line with the Integration Scheme had been delayed, impacting the ability to shift the balance of care. During 2021/22 we noted that further progress has been made to integrate services but that the IJB's performance overall continues to be significantly impacted by the response to the pandemic.

In 2019, the IJB conducted a self assessment against recommendations made by the Ministerial Strategic Group (MSG) for Health and Community Care, and the Convention of Scottish Local Authorities (CoSLA). This identified significant areas for improvement, and we therefore consider that an updated self-assessment against the recommendations would allow the Board to consider whether Best Value arrangements are now in place.

Future Best Value Focus

In July 2022, the Chair of the Accounts Commission wrote to the Chief Officer to outline revised arrangements for the approach to auditing Best Value in IJBs in 2022/23 and beyond. The Chair noted that in the period since the Accounts Commission agreed to introduce a new approach to auditing BV in IJBs the Scottish Government has made a commitment to deliver a National Care Service (NCS) before the end of this parliament, i.e. by end 2026. Under the current proposals IJBs will be reformed into local care boards, accountable to Scottish Ministers and the new bodies will therefore be audited by the Auditor General for Scotland.

This significant structural and organisational change, combined with wider issues associated with the proposed creation of the NCS, such as the need to consider the impact of planning for the introduction of the NCS on IJBs means that the Accounts Commission has taken the decision not to proceed with the planned roll out of a new approach to auditing Best Value in IJBs.

The Accounts Commission has instead agreed to undertake a broad-based programme of national and local audit work on IJBs.

Recommendation 5:

The IJB should consider updating its self-assessment against the Ministerial Strategic Group recommendations, last considered in May 2019.

Programme of Work on IJBs

The Accounts Commission anticipate that future work on IJBs will include:

- ▶ a further joint national performance audit with the Auditor General for Scotland on progress with health and social integration (including the identification of good practice);
- ▶ national thematic performance audit work in areas such as social care workforce planning and commissioning;
- ▶ a continued focus on IJB risks and performance through annual audit reports; and
- ▶ audit work in conjunction with the Auditor General for Scotland on Scottish Government planning and preparations for the new NCS.

The new proposals have been designed to ensure that the Accounts Commission (and where appropriate the Auditor General for Scotland) are providing robust independent oversight and public reporting at both national and local level on the current performance of IJBs as well as monitoring and reporting on the risks and challenges created by the proposed creation of the new NCS.



Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications

D - Action Plan

E - Prior Year Action Plan

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Best Value

Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the IJB.

Matters that we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We are not aware of any inconsistencies between IJB's policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

Audit Fees

	2021/22	2020/21
Component of fee:		
Total agreed auditor remuneration *	£19,250	£18,850
Audit Scotland fixed charges:		
Pooled costs	£2,010	£1,790
Performance audit and best value	£5,670	£5,650
Audit support costs	£1,030	£1,040
Total fee	£27,960	£27,330

* The expected fee for each body is a range set centrally by Audit Scotland, which assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2021 UK Transparency Report can be accessed on our website at https://www.ey.com/en_uk/who-we-are/transparency-report-2021. This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the IJB since appointment can be found at: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202122>

Appendix C: Required communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	<p>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>Annual Audit Report</p>

Required communication	Our reporting to you
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p>Subsequent events</p> <p>Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	<p>Annual Audit Report or as occurring if material.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>

Appendix D: Action Plan

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No	Findings	Recommendation	Management Response
1	Like all local government bodies in the UK, the IJB is required to conduct a self-assessment of its performance against the CIPFA Financial Management Code. The Code became mandatory in 2021/22.	The IJB should conduct a self-assessment against the CIPFA Financial Management Code. <i>Grade 1</i>	Response: Agreed. An assessment will be conducted before the end of this financial year. Responsible officer: Chief Finance Officer Implementation date: March 2023
2	There are increasing demands on Chief Finance Officers across Scotland as a result of ongoing work on the cost impact of Covid-19, the need to respond to expectations about medium term financial planning, and preparation for the National Care Service. Similarly, there are increasing demands on procurement functions as a result of the need to support care home providers, including the distribution of sustainability payments. We understand that work is underway with Partners to develop a structure that provides sufficient financial capacity for the medium term.	As part of the finalisation of the updated Integration Scheme, the IJB should work with Partners to ensure that corporate support arrangements remain adequate and fit for purpose. <i>Grade 2</i>	Response: Agreed. There has been further progress recently with various aspects of the updated Integration Scheme however the IJB accepts this needs to be brought to a conclusion. In addition, the IJB is reviewing internal management capacity with plans to recruit an additional Finance post as part of an internal structure and capacity review. Responsible officer: Chief Officer, in conjunction with Chief Execs from Falkirk Council & NHS Forth Valley, for conclusion of Integration Scheme review. Chief Finance Officer, for Finance staff recruitment. Implementation date: March 2023

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No	Findings	Recommendation	Management Response
3	<p>While the IJB now holds significant reserves, we note that most represent earmarked funding that has been allocated for specific purposes.</p> <p>The increase in general reserves provides an opportunity to invest to help support the delivery of the Strategic Plan, but all decisions must be underpinned by a robust financial plan for the period to 2025/26.</p>	<p>The IJB should ensure that longer term financial planning is in place to support the delivery of the Strategic Plan.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response: Agreed. The current Falkirk IJB Medium Term Financial Plan (MTFP) is due for renewal and a new MTFP will be prepared in alignment with the new Strategic Plan over the course of 2022/23.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: January 2023</p>
4	<p>During the year, the Audit Committee held vacant positions for both voting and non-voting members. As a result, attendance was lower than we would expect on a number of occasions.</p> <p>While recent appointment to the Audit Committee have been made, we note that the Committee has not yet assessed its arrangements against CIPFA's 'Good Practice Audit Committees Principles Checklist' or 'Evaluation of Effectiveness Toolkit'</p>	<p>The IJB should ensure that the Audit Committee is supported to conduct a self-assessment against good practice principles.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: Agreed. The audit committee will investigate partner assessment arrangements before adopting either CIPFA's 'Good Practice Audit Committees Principles Checklist' or 'Evaluation of Effectiveness Toolkit'</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: March 2023</p>
5	<p>We understand that Audit Scotland has plans in place to conduct a national performance audit of integration arrangements, in preparation for the development of the National Care Service. Any performance audit is likely to be based on previous reviews of progress, including the Leadership Group, led by the Ministerial Strategic Group (MSG) for Health and Community Care, and the Convention of Scottish Local Authorities (CoSLA) February 2019 recommendations.</p>	<p>The IJB should consider revising the self-assessment against the Ministerial Strategic Group recommendations, prepared in May 2019.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Response: Agreed. A self-assessment will be conducted before the end of this financial year.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: March 2023</p>

Appendix E: Prior Year Action Plan

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No	Findings and recommendations	Management response	Our assessment
1	<p>The IJB has been in place for 5 years, but operational responsibility for key services has not yet transferred. This limits the benefits that can be achieved through transformation and may prevent achievement of the aims in the Strategic Plan.</p> <p>The IJB and its partners must ensure that planning and operational management responsibility is transferred for remaining services, including Primary Care, to allow the benefits of integration to be achieved.</p>	<p>Accepted.</p> <p>Discussions are ongoing in conjunction with NHS Forth Valley and colleagues in Clackmannanshire & Stirling IJB regarding the transfer of planning and operational management responsibility for all outstanding in scope health services.</p> <p>Responsible officer: IJB Chief Officer & NHS Forth Valley Chief Executive.</p> <p>Implementation date: 31 Mar 2022</p>	<p>Significant progress has been made during 2021/22 to progress the transfer of operational management responsibility.</p> <p>Audit assessment: complete.</p>
2	<p>As an Integration Authority, the IJB does not directly employ its own staff. The ability to respond to key legislative and governance requirements therefore relies on the resource capacity provided by partners in NHS Forth Valley and Falkirk Council.</p> <p>The IJB should ensure that the revised Integration Scheme establishes arrangements for key support services.</p>	<p>Accepted.</p> <p>Provision of adequate and equitable corporate support functions is essential if the IJB is to operate effectively and deliver transformational change. The review of the Integration Scheme will consider the need for a more formal corporate support agreement with partners.</p> <p>Responsible officer: IJB Chief Officer, Falkirk Council Chief Executive & NHS Forth Valley Chief Executive.</p> <p>Implementation date: 30 Sept 2021</p>	<p>Progress against this recommendation has been delayed as a result of Covid-19.</p> <p>The Integration Scheme was due to be reviewed by November 2020 in line with legislative requirements. A working group has now been established to take this forward.</p> <p>Audit Assessment: In progress</p>

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No	Findings and recommendations	Management response	Our assessment
3	<p>The IJB will continue to face significant decisions to deliver the Strategic Plan and to respond to the significant budget gap across services. In our view, the papers presented to the Board could be enhanced by additional financial analysis. This may require additional financial capacity to be provided by partners.</p> <p>Key decisions should be supported by options appraisal or financial analysis of the net impact.</p>	<p>Accepted.</p> <p>It is important to strike an appropriate balance in the level of detail provided in publicly available reports compared to internal management information and analyses used to inform decision making.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: 30 Sept 2021</p>	<p>Audit assessment: Complete.</p>

Appendix F: Adjusted errors identified during the audit

Audit differences			
No	Description	Income and Expenditure Impact / £000's	Balance Sheet Impact / £000's
1	<i>Provider relief accrual</i>	Dr Expenditure - social care services 864	Cr Debtor - Falkirk Council 864

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