

Argyll & Bute Integration Joint Board

2021/22 Annual Audit Report



 AUDIT SCOTLAND

Prepared for Argyll & Bute Integration Joint Board and the Controller of Audit
November 2022

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Key messages

2021/22 annual accounts

- 1 Our audit opinions on the annual accounts of the Argyll & Bute Integration Joint Board are unmodified.
- 2 The Covid-19 pandemic has continued to create additional challenges for the IJB and audit staff alike. As a result of this, the statutory deadline to publish the audited 2021/22 annual accounts was revised to 30 November 2022.
- 3 The IJB prepared its annual accounts for the year within agreed timescales and the accounts and associated working papers have been prepared to a good standard.

Financial management and sustainability

- 4 The IJB has appropriate and effective financial management arrangements in place and returned an underspend of £0.7 million against a budgeted breakeven outturn. This was partly due to the receipt of Scottish Government support for all additional Covid-19 costs.
- 5 The IJB repaid all of its outstanding £2.8 million debt due to Argyll & Bute Council.
- 6 Medium-term financial plans have been developed based upon the Scottish Government's Spending Review for the period 2023/24 to 2025/26 and the IJB has identified a cumulative budget deficit of £29.3 million over this period. The organisation recognises that it continues to face challenges delivering savings targets coupled with an increased demand for services.

Governance, Transparency and Best Value

- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively.
- 8 Performance indicators and associated targets have been kept under review to ensure they reflect the impact of Covid-19 on methods of service delivery and the associated outcomes. The IJB is looking to strengthen these arrangements by developing its Integrated Performance Management framework in 2022/23.

Introduction

1. This report summarises the findings arising from the 2021/22 audit of Argyll & Bute Integration Joint Board (the IJB).

2. The scope of the audit was set out in our 2021/22 Annual Audit Plan presented to the April 2022 meeting of the Audit and Risk Committee. This report comprises the findings from:

- the audit of the IJB's 2021/22 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](#)
- a review of the arrangements put in place by the IJB to secure Best Value.

3. The global coronavirus pandemic has had a considerable impact on the IJB during 2021/22. This has had significant implications for the services it delivers. We have continued to adapt the way we deliver our audit work to maintain quality and address any additional risks.

Adding value through the audit

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

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability
- making use of hybrid working to meet the revised statutory deadline of 30 November 2022 for audited annual accounts
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides.

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.

6. The IJB is also responsible for compliance with legislation, and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the effectiveness of the IJB's performance management arrangements
- the suitability and effectiveness of corporate governance arrangements
- the financial position and arrangements for securing financial sustainability and
- Best Value arrangements.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. 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.

11. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the progress that has been made.

Auditor Independence

12. 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.

13. 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 2021/22 audit fee of £27,960 as set out in our 2021/22 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. 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 in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

Audit appointment from 2022/23

15. The Accounts Commission is responsible for the appointment of external auditors to local government bodies. External auditors are usually appointed for a five-year term either from Audit Scotland's Audit Services Group or a private firm of accountants. The current appointment round was due to end in 2020/21 but this was extended for a year so that 2021/22 is the last year of the current appointment round.

16. The procurement process for the new round of audit appointments was completed in May 2022. From financial year 2022/23, Mazars will be the appointed auditor for Argyll & Bute Integration Joint Board. We are working closely with the new auditors to ensure a well-managed transition.

17. A new [Code of Audit Practice](#) applies to public sector audits for financial years starting on or after 1 April 2022. It replaces the Code issued in May 2016.

Acknowledgement

18. We would like to thank Board members, Audit and Risk Committee members, and officers, particularly those in finance for their co-operation and assistance over the last six years.

1. Audit of 2021/22 annual accounts

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

Main judgements

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

The Covid-19 pandemic has continued to create additional challenges for the IJB and audit staff alike. As a result of this, the statutory deadline to publish the audited 2021/22 annual accounts was revised to 30 November 2022.

The IJB prepared its annual accounts for the year within agreed timescales and the accounts and associated working papers have been prepared to a good standard.

Our audit opinions on the annual accounts are unmodified

19. The IJB's annual accounts for the year ended 31 March 2022 were approved by the Audit and Risk Committee on 23 November 2022. 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 the Annual Governance Statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The Covid-19 pandemic had a limited impact on audit evidence

20. The completeness and accuracy of accounting records and the extent of information and explanations that we required for our audit were not affected by the Covid-19 pandemic. The working papers provided to support the accounts were of a good standard and the audit team received support from finance staff which helped ensure the final accounts audit process ran smoothly.

The annual accounts were signed off in line with our agreed audit timetable

21. Submission dates for the annual audit report and audited annual accounts for 2019/20 and 2020/21 were deferred in line with the later dates for producing the annual accounts because of the impact of Covid-19. Audit Scotland has set target dates for 2021/22 which transition to more regular timescales. For 2021/22, the deadline for the audited accounts is 30 November 2022.

22. The unaudited annual accounts were received in line with our agreed audit timetable on 4 July 2022. This allowed us to sign off the annual accounts in line with the revised timescales.

There were no objections raised to the annual accounts

23. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The date specified in the notice must be at least 14 days after the date that notice is published but cannot be later than 1 July in the year in which the notice is published.

24. The annual accounts were not made available for inspection until 25 July 2022 under the regulations. However, the unaudited annual accounts were reported to members on 28 June 2022 and the committee reports were publicly available. Therefore, the IJB were considered to comply with the Local Authority Accounts (Scotland) Regulations 2014.

25. There were no objections to the 2021/22 annual accounts.

Overall materiality is £6.0 million

26. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

27. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

28. Our initial assessment of materiality (£6.0 million) for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and concluded it remained appropriate. Our 2021/22 materiality levels are summarised in [Exhibit 1](#).

Exhibit 1

Materiality values

Materiality level	Amount
Overall materiality: This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements.	£6.0 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered.	£4.2 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount.	£250,000

Source: Audit Scotland

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

29. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit, and indicate how the efforts of the audit team are directed. [Appendix 2](#) also identifies the work we undertook to address these risks and our conclusions from this work.

30. We have no issues to report from our work on the risks of material misstatement.

We have significant findings to report on the audited annual accounts

31. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

32. The significant findings are summarised in [Exhibit 2](#).

Exhibit 2

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. PPE and Testing Kits</p> <p>National Services Scotland (NSS) has been supplying PPE and Testing Kits to Councils and Integration Joint Boards (IJBs) free of charge.</p> <p>For Argyll & Bute Integration Joint Board, the total PPE and Testing Kits issued by NSS for 2021/22 equate to £2.1 million. This was not included in the unaudited annual accounts presented to audit.</p> <p>The impact of this is to increase both gross income and gross expenditure on the Comprehensive Income and Expenditure Statement (CIES) by £2.1 million. This has no impact on the outturn position.</p>	<p>This was adjusted in the audited annual accounts.</p>
<p>2. IJB Monies</p> <p>Argyll and Bute Council accounted for £1.7 million of IJB monies as a creditor on its Balance Sheet relating to the transfer of reserves for unspent funding at the year-end.</p> <p>The initial accounting treatment was to debit gross expenditure and credit trade payables; however, this should have been a debit to gross income with a credit to trade payables.</p> <p>The impact of this was to decrease gross income and gross expenditure on the CIES by £1.7 million. This has no impact on the outturn position.</p>	<p>This was adjusted in the audited annual accounts.</p>

Source: Audit Scotland

Other findings

33. Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts. This is normal audit practice and none of the presentational changes have any impact on the IJB's outturn for the year.

Progress was made on prior year recommendations

34. The IJB has made progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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

Main judgements

The IJB has appropriate and effective financial management arrangements in place and returned an underspend of £0.7 million against a budgeted breakeven outturn. This was partly due to the receipt of Scottish Government support for all additional Covid-19 costs.

The IJB repaid all of its outstanding £2.8 million debt due to Argyll & Bute Council.

Medium-term financial plans have been developed based upon the Scottish Government's Spending Review for the period 2023/24 to 2025/26 and the IJB has identified a cumulative budget deficit of £29.3 million over this period. The organisation recognises that it continues to face challenges delivering savings targets coupled with an increased demand for services.

Financial management and reporting arrangements are effective and allow members and officers to scrutinise the budget effectively

35. Comprehensive budget monitoring reports are reported to the Board and the Finance and Policy Committee. These contain information on the year-to-date financial position, forecast outturn for the year, variance analysis with explanations, progress in delivering savings and significant financial risks. The reports contain enough detailed information to enable members to carry out effective scrutiny and challenge of the IJB's finances.

36. The content of the budget monitoring reports was regularly updated to reflect the financial impact of Covid-19. Additional income received and expenditure incurred as a result of Covid-19 were clearly detailed in the budget monitoring reports. This ensured the board were aware of how Covid-19 impacted on the overall financial position and outturn.

37. Senior management and members receive regular and accurate financial information on the IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements in place.

The IJB set a balanced budget for 2021/22 budget including planned savings to address the identified funding gap

38. The IJB considered its 2021/22 budget on 31 March 2021. Adjustments were made to the budget to reflect additional funding streams and commitments. Budgeted total income and expenditure for the year were respectively £295.9 million and £299.9 million, giving a budget gap before savings of £4.2 million.

39. Management/operational savings proposals totalling £3.6 million had been approved by the IJB on 27 January 2021. These were amended by £0.6 million of policy savings and the total of new savings of £4.2 million was presented to the IJB meeting on 31 March 2021. These new savings are in addition to the £5.1 million savings brought forward, resulting in an overall savings target of £9.3 million for 2021/22.

40. A budget consultation was carried out in respect of proposed policy savings and the results of this consultation were presented to the IJB. Equality Impact Assessments (EQIAs) were also carried out for all policy savings and also presented to the IJB.

41. The forecast outturn position for 2021/22 as at 31 July 2021 was an overspend of £0.8 million. In accordance with the Integration Scheme, whenever an overspend is identified, the Chief Officer and Chief Financial Officer are required to identify the cause and prepare a financial recovery plan to return to a break-even position.

42. An in-year financial recovery plan was required, and this was approved at the meeting of the IJB on 15 September 2021. The plan was based mainly on expected Covid-19 financial support from Scottish Government and some additional delivery against the savings targets.

The IJB returned an underspend in 2021/22

43. The impact on public finances of the Covid-19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses, and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

44. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records.

45. Prior to 2020/21, the IJB had failed to deliver a balanced budget for some time. Budgets were overspent by £6.7 million in 2018/19 and by £1.2 million in 2019/20. However, in 2020/21, the IJB returned an underspend of £1.1 million against a budgeted breakeven position.

46. The IJB returned an underspend of £0.7 million against a budgeted breakeven position for 2021/22 ([Exhibit 3](#)).

Exhibit 3

Performance against budget

IJB budget summary	Budget £m	Actual £m	Variance £m
NHS Highland	233.4	233.4	-
Argyll & Bute Council	79.7	79.0	0.7
Total Net Expenditure	313.1	312.4	0.7

Source: Argyll & Bute Integration Joint Board

47. There were a number of contributing factors to the underspend including:

- delivery of savings
- additional funding allocations from the Scottish Government.

The IJB repaid all of its outstanding £2.8 million debt due to Argyll & Bute Council

48. In line with approved Scheme of Integration, Argyll and Bute Council allocated additional funding to the IJB to cover year-end deficits over the period 2017/18 to 2019/20. An agreed repayment plan was put in place for the IJB to repay this additional funding. During 2020/21, £1.5 million was repaid by the IJB to Argyll & Bute Council as part of the planned funding arrangements for the year and in line with the repayment plan.

49. Argyll & Bute Council had previously agreed with the IJB, that in the event of the IJB returning an underspend in 2020/21 or any future years, that Argyll & Bute Council would seek earlier repayment of outstanding debts. Therefore, an additional £1.1 million was repaid based on the 2021/21 year-end outturn position of the IJB. This left an outstanding balance of debt due to be paid to Argyll & Bute Council totalling £2.8 million.

50. The IJB repaid all of its outstanding £2.8m debt due to Argyll & Bute Council during 2021/22. This was achieved due to a number of factors including delivery of savings, improved financial management and additional funding allocations from the Scottish Government. This debt repayment was prior to returning an underspend of £0.7 million against a budgeted breakeven position for 2021/22.

Earmarked Reserves increased by £14.6 million in 2021/22

51. The IJB operates one reserve, a General Fund reserve which is a resource backed reserve to be used to fund future expenditure. The General Fund had a closing balance of £21.2 million as at 31 March 2022. This was an increase of £14.6 million from the prior year. There are two main contributing factors which

have resulted in the increased levels of reserves at the year-end. These are summarised below:

- The on-going impact of the Covid-19 pandemic delayed some key projects and pieces of work.
- The Scottish Government provided additional financial support to HSCPs throughout Scotland late in the financial year. Argyll & Bute Integration Joint Board's share of this funding was £11.9m. This funding was aimed to help manage extreme winter pressures and Covid-19 impacts. The IJB did not spend all of these additional funds in year as they found it challenging to increase capacity for service delivery.

The IJB has a medium-term financial plan but is yet to develop a longer-term plan

52. Financial sustainability looks forward to the medium and longer-term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

53. In September 2022, the Scottish Government commenced discussions with IJBs regarding the possible claw back of reserves to meet future funding pressures. These discussions are on-going, and the level of claw back will be reflected in the IJB quarter two return. For Argyll & Bute Integration Joint Board this is estimated to be £2.0m.

54. The IJB has developed a medium-term financial plan covering a three-year period (2023/24 to 2025/26). The plan was presented to the IJB at its meeting on 24 August 2022.

55. The plan includes assumptions about future inflation levels, funding and cost and demand pressures. It also sets out the financial position under three different scenarios i.e., best case, mid-range, and worst case. The medium-term financial plan does not reflect any implications of Covid-19 costs and assumes that these costs will continue to be met with funding from Scottish Government. The IJB receive regular updates advising them of any revisions to the budget outlook.

56. The IJB has not developed any longer-term plans which go beyond 2025/26. Management have acknowledged that consideration should be given to the longer-term and its likely to become more difficult in the future to distinguish between Covid-19 and non-Covid-19 related activity.

57. Management believe that this combined with considerable uncertainties about future funding would render longer-term forecasts unreliable and would not be a sound basis for making decisions. Therefore, medium-term financial planning is considered appropriate for the IJB at present and longer-term financial planning is an aspiration, dependent to some extent upon increased certainty in respect of future funding for the sector.

The IJB is forecasting a small overspend of £0.7 million for 2022/23

58. The IJB approved a balanced budget for 2022/23 at its meeting on 30 March 2022. The budget gap for 2022/23 within the mid-range scenario was £3.9 million. These new savings are in addition to the £2.1 million savings brought forward, resulting in an overall savings target of £6.0 million for 2022/23. Savings were identified in order to deliver a balanced budget.

59. The budget monitoring report presented to the Finance and Policy Committee on 28 October 2022 shows a year-to-date underspend of £1.7 million in the period to 30 September 2022 and a forecast overspend of £0.7 million for 2022/23.

Significant budget gaps in 2023/24 to 2025/26

60. The medium-term financial plan was updated and presented to the IJB at its meeting on 24 August 2022. Significant budget gaps were identified over the next three years ([Exhibit 4](#)).

Exhibit 4 Medium-term financial plan

	2023/24 £m	2024/25 £m	2025/26 £m
Base case	3.4	3.6	3.6
Mid-range	6.7	10.1	12.5
Worst case	14.0	24.9	35.1

Source: Argyll & Bute Integration Joint Board

61. In the mid-range scenario, the IJB cumulative budget gap estimated over the three-year period 2023/24 to 2025/26 is £29.3 million with a budget gap of £6.7 million in 2023/24. It is recognised that there is significant uncertainty in respect of future resource allocations to the IJB at present.

62. Looking further ahead the IJB is facing significant budget challenges assuming a mid-range (most likely) scenario as illustrated in [Exhibit 3](#). It is important therefore that, in future years, the IJB continues to take action to operate within planned budgets and deliver required savings. The transformation and savings programme is the main way in which the IJB seeks to balance its financial position.

Savings targets remain challenging for the IJB

63. Savings are vital in ensuring that any budget gaps are bridged, and financial balance is maintained. In order to balance planned expenditure with the resources delegated to it, the IJB has consistently set ambitious savings targets in recent years. The IJB has failed to achieve the planned level of recurring savings in full. However, significant progress has been made in delivering efficiencies and improving the governance and reporting in respect of the savings and transformation programme. In 2021/22, there was a shortfall in savings delivery of £1.1 million which was covered in full by Scottish Government Covid-19 support.

64. As at the end of September 2022, £3.3 million of the £6.0 million savings target had been achieved. This is around 55% of the target. Of the remaining £2.7 million savings target, £1.7 million (63%) are anticipated to be difficult to achieve in full in 2022/23 with a further £0.7 million (26%) unlikely to be deliverable in 2022/23.

65. Management have recognised that slippage within the savings programme is contributing to the forecast overspend against budget. It is crucial that efforts to deliver the agreed savings are continued.

Recommendation 1

The IJB should continue to review and update its medium-term financial plan with appropriate action taken to bring financial performance into recurring balance.

Financial systems of internal control operated effectively

66. The IJB is reliant on the systems of its partner bodies, NHS Highland and Argyll & Bute Council, for its key financial systems, including ledger and payroll. All IJB transactions are processed through the respective partners' systems and all controls over these systems are within the partner bodies, rather than the IJB.

67. As part of our audit approach, we sought assurances from the external auditor of NHS Highland and Argyll & Bute Council and confirmed there were no weaknesses in the systems of internal controls for either the health board or the council.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

68. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We reviewed the arrangements in place at NHS Highland and Argyll & Bute Council and found them to be adequate. The IJB has a Code of Conduct in place which Members must comply with, and the Members' Registers of Interest are publicly available on the websites of the partner bodies.

69. Appropriate arrangements are in place for the prevention and detection of fraud and error. We are not aware of any specific issues we require to bring to your attention.

3. Governance, transparency and Best Value

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board. Governance arrangements operating throughout the Covid-19 pandemic have been appropriate and operated effectively.

Performance indicators and associated targets have been kept under review to ensure they reflect the impact of Covid-19 on methods of service delivery and the associated outcomes. The IJB is looking to strengthen these arrangements by developing its Integrated Performance Management framework in 2022/23.

Governance arrangements are appropriate and operate effectively

70. The IJB made changes to its governance arrangements at the outset of the pandemic in March 2020. These have been detailed in the Annual Governance Statement in the annual accounts. We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

71. All IJB meetings and committees took place via remote conferencing in 2021/22. Members of the public were able to attend meetings and the recording of the meeting was published alongside the minutes.

72. In March 2020, the IJB agreed a delegation of powers to the Chief Officer for the event of emergencies. These powers enabled the Chief Officer to instruct executive action on any matter for the duration of the Covid-19 emergency in consultation with the Chair or Vice Chair of the Board. Such matters would then be subsequently reported to the Board when possible. This delegation was not utilised in 2021/22, however was still in place.

73. We concluded that the revised arrangements were appropriate and adequate under the current circumstances, and they support standards of good governance and accountability. Meetings continue to be held in a virtual environment, in line with Scottish Government guidance for safer workplaces during the pandemic.

Performance reporting in the management commentary of the Annual Accounts was of a good standard

74. Management Commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

75. The management commentary is of a good standard and clearly explains the IJB's strategy, finances and links to the financial statements. The statutory requirements relating to non-financial performance have been met. The management commentary also details the impact of Covid-19 on the IJB's business and financial position.

Changes in senior officers

76. There have been changes to senior officers at the IJB. The Chief Officer left their post on 31 March 2021. The post was filled on an interim basis from 1 April until 3 May 2021 by the Deputy Chief Officer. Fiona Davies was appointed as Interim Chief Officer on 4 May 2021 for a period of up to one year and was then permanently appointed to the role on 4 February 2022.

77. The Chief Financial Officer left the IJB on 30 June 2021. The post was filled on an interim basis by the Deputy Chief Officer. A new Chief Finance Officer (James Gow) has been recruited and joined the IJB on 9 August 2021.

78. The Deputy Chief Officer left their post on 3 May 2022. The IJB plan to undertake a recruitment process to recruit a new Deputy Chief Officer on a permanent basis.

Arrangements are in place to secure Best Value

79. Integration Joint Boards have a statutory duty to have 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.

80. The IJB has set out its approach to Best Value through a clear and concise statement within the Annual Governance Statement included in the 2021/22 annual accounts. Also, a short summary detailing progress against the eight best value themes was provided in the Annual Governance Statement.

Performance management arrangements are effective with indicators and targets kept under review

81. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

82. The Annual Performance Report for 2020/21 was approved by the IJB on 24 November 2021 and sets out how the IJB went about fulfilling its obligations for Best Value in 2020/21. The Annual Performance Report for 2021/22 is scheduled to be approved by the IJB in November 2022.

83. Performance reports are presented to the board on a quarterly basis. A report on performance was reviewed by the IJB at its meeting on 27 January 2021. At this meeting, the temporary suspension of reporting against the HSCP Health and Wellbeing Outcome Indicators was approved. Focus was also changed to reporting for Covid-19 activity and the remobilisation of health and social care services.

84. For 2021/22, performance reporting has focussed upon the re-mobilisation of services and reduction in waiting times which have increased as a result of the pandemic. However, the Annual Performance Report for 2021/22 includes a full a breakdown of the Health and Wellbeing Outcome Indicators and the IJB's performance against these indicators.

85. The IJB has ensured effective arrangements are in place for managing and reviewing performance. The IJB is looking to strengthen these arrangements by developing its Integrated Performance Management framework in 2022/23.

National performance audit reports

86. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2021/22 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 3](#).

87. The IJB has a process in place to ensure that findings from national reports are reviewed, and where relevant, presented to the Audit and Scrutiny Committee. This reporting includes an assessment of current arrangements and the identification of actions to be taken to apply good practice examples highlighted in the reports.

Appendix 1. Action plan 2021/22

2021/22 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Financial Sustainability</p> <p>In the mid-range scenario, the IJB cumulative budget gap estimated over the three-year period 2023/24 to 2025/26 is £29.3 million with a budget gap of £6.7 million in 2023/24. It is recognised that there is significant uncertainty in respect of future resource allocations to the IJB at present.</p> <p>Risk – The IJB is unable to operate within agreed/planned budgets and fails to meet savings targets on a recurring basis.</p>	<p>The IJB should continue to review and update its medium-term financial plan with appropriate action taken to bring financial performance into recurring balance.</p> <p>Paragraph 60-65</p>	<p>The financial planning framework will continue to be updated as budget announcements are made by Government in respect of funding and priorities for 2022/23 and beyond.</p> <p>Responsible officer: James Gow, Head of Finance & Transformation</p> <p>Agreed date: March 2023</p>

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 1. Financial Sustainability</p> <p>The IJB has a medium-term financial plan in place and the projected budget gap for the three-year period of 2022/23 to 2024/25 is £19.382m with a gap of £2.371m occurring in 2022/23 under mid-range scenario planning. In the</p>	<p>Reinforce and reiterate the need to maintain financial discipline across all service areas to support measures aimed at managing expenditure and bringing financial performance into recurring balance.</p>	<p>Superseded – see Appendix 1 – Action plan point 1.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>shorter-term, as at 31 August 2021, the IJB is forecasting an overspend of £0.990 m for 2021/22 primarily due to slippage in delivering savings.</p> <p>Risk - The IJB continues to fail to operate within agreed/planned budgets and fails to meet savings targets on a recurring basis.</p>		
<p>b/f 2. Governance – Changes to Key Officers</p> <p>There has been significant changes in senior officers at the IJB. A new interim Chief Officer joined the IJB in May 2021. A new Chief Financial Officer joined the IJB in August 2021.</p> <p>Risk - There is a risk that changes in key senior officers may impact the momentum of transformational changes.</p>	<p>The IJB should ensure they continue to build momentum with transformational changes despite changes in key officers.</p>	<p>Complete – The Chief Officer was permanently appointed to the role in February 2022 having been in post on an interim basis since May 2021. This has not had an adverse impact on the IJB’s transformational plans.</p>
<p>b/f 3. Performance Reporting</p> <p>Standard performance reporting has been revised due to the Covid-19 pandemic. The IJB have temporarily suspended performance reporting against the HSCP Health and Wellbeing Outcome Indicators. Focus was changed to reporting Covid-19 activity and the remobilisation of health and social care services.</p> <p>Risk - There is a risk that performance reporting is not tailored effectively following the Covid-19 pandemic.</p>	<p>Regularly review performance reporting arrangements, in particular to reconsider at what point the organisation should re-engage reporting against the HSCP Health and Wellbeing Indicators and to ensure key indicators remain appropriate.</p>	<p>Ongoing - the IJB has incorporated new performance targets from the Scottish Government Health Directorate in its 2022/23 reports. The new Performance Reporting Framework is intended to be presented to the IJB in January 2023 for implementation on 1 April 2023 and will incorporate outcomes indicators and other national and local measures of quality and performance.</p> <p>Responsible officer: Stephen Whiston, Head of Strategic Planning, Performance & Technology</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>b/f 4. Workforce Planning</p> <p>In previous years we have reported that the IJB needs to develop an overarching workforce plan. A workforce plan has yet to be finalised and approved. Also, such a plan cannot be developed in isolation but needs to be integrated with financial and service plans.</p> <p>Risk - In the absence of integrated planning, the IJB will be unable to manage its staff resources effectively.</p>	<p>Workforce planning should be progressed and integrated with service and financial planning.</p>	<p>Revised target date: January 2023</p> <hr/> <p>Ongoing – the first draft of the workforce plan was submitted to the Scottish Government on time.</p> <p>Responsible officer: Kevin Colclough, Head of People Planning, Analytics and Reward, NHS Highland.</p> <p>Revised target date: March 2023</p>

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 conclusion
<p>1. Risk of material misstatement due to fraud caused by the management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Agreement of balances and transactions to Argyll & Bute Council and NHS Highland financial reports / ledger/ correspondence.</p> <p>Service auditor assurances will be obtained from the auditors of Argyll & Bute Council and NHS Highland in line with the 2021/22 Integration Joint Boards Protocol for Auditor Assurances.</p>	<p>No issues were identified from our audit work performed or the service auditor assurances provided.</p>

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

Audit risk	Assurance procedure	Results and conclusion
<p>2. Financial Sustainability</p> <p>The Integration Joint Board has a medium-term financial plan in place and the projected budget gap for the three-year period of 2022/23 to 2024/25 is £19.5million with a gap of £4.8million</p>	<p>Continue to assess and review financial plans to ensure that due consideration is given to the impact of Covid-19 on financial planning.</p>	<p>The IJB continues to operate on a three-year, medium-term financial plan. A revised plan was presented to the IJB at its meeting in August 2022 covering the period 2023/24 to 2025/26.</p>

Audit risk	Assurance procedure	Results and conclusion
<p>occurring in 2022/23 under mid-range scenario planning.</p> <p>In the shorter term, as at 30 November 2021, the Integration Joint Board is forecasting an overspend of £0.280 million for 2021/22, however does not yet take into account all of the additional funding allocations announced in late 2021.</p> <p>There is a risk that the Integration Joint Board continues to fail to operate within agreed/planned budgets and fails to meet savings targets on a recurring basis.</p>		<p>Considering the above, and the fact that the IJB is funded on an annual basis, the medium-term financial planning in place is appropriate. Longer-term financial planning should remain as an ambition for the IJB's financial sustainability.</p>

Appendix 3. Summary of 2021/22 national performance reports and briefing papers

May

[Local government in Scotland Overview 2021](#)

June

[Covid 19: Personal protective equipment](#)

July

[Community justice: Sustainable alternatives to custody](#)

September

[Covid 19: Vaccination programme](#)

January

[Planning for skills](#)

[Social care briefing](#)

February

[NHS in Scotland 2021](#)

March

[Local government in Scotland: Financial Overview 20/21](#)

[Drug and alcohol: An update](#)

[Scotland's economy: Supporting businesses through the Covid 19 pandemic](#)

Argyll & Bute Integration Joint Board

2021/22 Annual Audit Report

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