

Agenda Item 5

2019/20 External Audit Report



Falkirk Integration Joint Board Audit Committee

4 December 2020

2019/20 External Audit Report

For Noting

1. Executive Summary

- 1.1 This report presents the findings arising from the external audit of the 2019/20 financial statements.
- 1.2 The annual external audit report provides an unqualified opinion on the 2019/20 financial statements, including the remuneration report and annual governance statement. The report identifies a number of areas for improvement and includes 5 specific recommendations for management action.

2. Recommendations

The Audit Committee is asked to:

- 2.1 note the contents of this report.
- 2.2 consider the recommendations and action plan contained in 2019/20 external audit annual report.

3. Background

- 3.1 The Accounts Commission appointed Ernst and Young as the IJB's external auditors for financial years 2016/17 to 2021/22. The external audit function provided by Ernst and Young is undertaken in accordance with the Local Government (Scotland) Act 1973 and Audit Scotland's Code of Audit Practice, together with relevant standards and guidance issued by the Financial Reporting Council and all applicable legislation.
- 3.2 In addition to the review of the financial statements, Ernst and Young are required to evaluate the IJB's arrangements in respect of financial management, financial sustainability, governance and transparency and value for money. This forms part of the wider scope of public audit and supports achievement of best value.
- 3.3 Due to the impact of Covid-19, the auditors placed additional focus on the adequacy of the IJB's disclosures in relation to the pandemic and the adoption of the going concern principle as the basis for the preparation of the accounts.

4. Key Audit Findings

4.1 The external audit annual report provides an unqualified audit opinion on the IJB's 2019/20 financial statements. The accounts are therefore considered to provide a true and fair view of the IJB's financial position. In addition, the report confirms there are no material uncertainties in relation to the going concern status of the IJB.

4.2 In terms of the wider scope areas of the audit, the report highlights a number of ongoing risks in relation to financial sustainability, longer term risk sharing arrangements/financial management and best value. 5 specific improvement recommendations are included in the report, 4 of which are classified as grade 1¹. All 5 recommendations have been agreed by the Chief Officer and Chief Finance Officer and are summarised below:

- The IJB should ensure that the medium term financial plan saving summary is completed for the full 5-year period of the financial plan, to allow for potential funding gaps and savings targets to be identified by the IJB and partners as soon as possible.
- The IJB must review the 5 Year Financial Plan, and Strategic Plan, to respond to the impact of the global pandemic. This should include an assessment about the appropriateness and achievability of savings moving forward.
- Falkirk IJB and partner bodies should take further steps to allow for full integration, in line with the expectation of the MSG and Audit Scotland. The MSG draft improvement plan should be finalised and follow up reports presented to the Board on a regular basis to allow for appropriate governance overview regarding integration.
- The IJB should ensure that risk sharing is embedded into the integration scheme which is due to be formally reviewed by November 2020. This will allow for longer-term financial management.
- The IJB should conduct a self-assessment against Best Value guidance to allow it to demonstrate to the Board key requirements are in place. Results can be considered in conjunction with the MSG integration improvement plan to further embed integration with the partnership.

4.3 Further detail, including the management response is contained in appendix D of the external audit annual report. Note that 6 of the 12 recommendations from the previous financial year remain outstanding and 4 have been superseded by 2019/20 recommendations (see appendix E of the external audit annual report).

¹ Classified as a key risk and/or significant deficiency critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

5. Conclusions

- 5.1 External audit have provided an unqualified audit opinion on the 2019/20 financial statements.
- 5.2 As part of the wider scope areas of the audit, 5 specific improvement recommendations were identified and these have been accepted by management. The action plan presented in the external audit annual report at appendix D outlines the initial management response to the recommendations, including identification of the lead/responsible officer and an indicative implementation date. The action plan will be monitored and regular updates presented to the Audit Committee as appropriate.

Resource Implications

There are no implications arising from this report.

Impact on IJB Outcomes and Priorities

The production and audit of annual accounts/financial statements is a statutory requirement of the IJB.

Directions

A new Direction or amendment to an existing Direction is not required as a result of the recommendations of this report

Legal & Risk Implications

There are no legal implications arising from the report recommendations. The key risk implication relates to Failure to deliver improvements in respect of the external audit recommendations could impact on delivery of the vision and outcomes set out in the Strategic Plan.

Consultation

Consultation is not required. The audited accounts and external audit report are available online.

Equalities Assessment

An equalities assessment is not required.

6. Report Author

- 6.1 Jillian Thomson, Chief Finance Officer

7. List of Background Papers

- 7.1 N/A

8. Appendices

Appendix 1: 2019/20 External Audit Annual Report

Falkirk Integration Joint Board

**Annual Audit Report to Members
and the Controller of Audit - year
ended 31 March 2020**

20 November 2020

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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. 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.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients

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Executive Summary: Key Conclusions from our 2019/20 audit

We intend to issue an unqualified audit opinion on the IJB's 2019/20 financial statements

Financial Statements

We have concluded our audit of the IJB's financial statements for the year ended 31 March 2020. No audit adjustments were required to be made and there are no unadjusted differences that we are required to communicate. The draft financial statements and supporting working papers were of a good quality, in line with previous years. We worked with the Chief Finance Officer to update and make improvements to the Management Commentary and notes to the financial statements, in particular to reflect the implications of the Covid-19 global pandemic on the financial statements, and the IJB's planning processes.

We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were satisfied that the Annual Governance Statement reflects the requirements of the *Delivering Good Governance Framework*, and the key changes in governance arrangements that were required as a result of changes to working practices due to Covid-19.

We updated our risk assessment in response to the global pandemic, and as a result placed additional focus on:

- **the adequacy of the IJB's disclosures in relation to the pandemic; and**
- **management's assessment of going concern.**

Going Concern

Management is required to conclude on the going concern basis of preparation in the financial statements. As a result of the unprecedented financial and operational pressures faced by the IJB to respond to Covid-19, we placed additional emphasis on management's assessment of going concern, and particularly the need to report on the impact of financial pressures on the IJB and its financial sustainability.

The IJB has submitted regular mobilisation plans to the Scottish Government to estimate the financial impact of Covid-19, which reflect the impact of the pandemic on the delivery of services and the additional costs associated with Covid-19. Key areas of additional spend include:

- staffing costs to provide cover for front-line staff sickness, self-isolation and shielding and provision of PPE;
- additional care home beds in the community to create contingency capacity and maintain patient care; and
- prescribing (additional drug costs) and financial sustainability payments to support external care providers.

Under the Integration Scheme, the financial costs and therefore key financial risks remain with the IJB's partners, NHS Forth Valley and Falkirk Council. We were therefore satisfied that the IJB remains a going concern, but consider the related risks to the delivery of the IJB's Strategic Plan within our wider scope assessment of Financial Sustainability.

Wider Scope and Best Value

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

We have drawn upon our wider scope work to conclude on the IJB's approach to Best Value. We note that the IJB has made some improvement in working relationships, including effective governance arrangements.

We recommend that the IJB completes a self-assessment against the Audit Scotland's Best Value guidance for IJBs during 2020/21. In our view, until this is in place, the IJB cannot fully demonstrate that it meets its Best Value responsibilities.

Financial Sustainability

Our Annual Audit Plan identified a significant risk in relation to continued financial pressures. The IJB has an approved medium term financial plan for the period to 2025. However, the impact of Covid-19 has added further financial pressure and uncertainty to the IJB and its partners. These financial pressures require either financial support from partners or the Scottish Government, or the re-prioritisation of services provided. The ability of partners to agree and achieve required savings will therefore determine the success of integration in Falkirk.

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Governance and Transparency

While progress was made to implement integrated structures, in 2019/20, a number of key governance processes that are required to support integration are not yet in place.

The IJB responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic. We were satisfied that Board members have access to sufficient information as a result of the continuance of virtual meetings, and regular briefings to all members.

AMBER

Financial Management

The IJB relied on non-recurring funding to deliver a £0.352 million deficit in 2019-20, including £1.706 million in additional contributions from NHS Forth Valley to meet overspends on health services.

The IJB has recently updated its reserves policy, and as a result increased the maximum level of contingency/general reserves to allow for offsetting the impact of unforeseen events or emergency situations.

We are satisfied that the core financial management arrangements established by the IJB are adequate for the current management of its financial activities.

AMBER

Value for Money

The IJB exercised powers granted by the Coronavirus (Scotland) Act 2020 to delay the publishing of the annual performance report for 2019/20.

The Annual Performance Report 2019/20 was finalised in November 2020 and highlights mixed performance, with improvement in areas related to positive experiences of care and healthy living and premature mortality rate, but lower performance for key indicators including readmission to hospital within 28 days and fall rate per ageing population.

AMBER



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 by at least 12 months, 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”). Our appointment term has been extended by a further 12 months, to financial year 2021/22. 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 will be 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.

Scope and Responsibilities

The Code sets out the responsibilities of both the IJB and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the audit committee on 6 March 2020.

The impact of the Covid-19 Pandemic

The ongoing disruption to the delivery of health and social care a result of the Covid-19 has a pervasive impact upon the financial statements.

The financial statements have been updated to reflect the impact of Covid-19 on the IJB's financial position and performance.

We conducted our planning in accordance with Audit Scotland's Code of Audit Practice in February 2020, and presented our Annual Audit Plan to the IJB's audit committee, before the declaration of the global Covid-19 pandemic and the resulting lockdown arrangements. We recognise that the pandemic has had a profound impact on the IJB, and on partner staff who deliver frontline services. As a result, we revisited our planning assessments for the 2019/20 audit.

The impact occurred late in the financial year, and as a result the financial results were in line with our expectations. There were no additional transaction streams before 31 March 2020 that would require new accounting policies or treatments.

The IJB has worked with partners and the Scottish Government to identify additional costs as a result of the pandemic within mobilisation plans. However, there was no material spike in activity prior to 31 March 2020. As a result of our assessment we have not identified any new financial statement risks. There are, however, a number of areas of the financial statements that have been impacted by Covid-19, including:

- **Governance Statement:** The IJB and its partners moved to critical service delivery in March 2020 at the commencement of the lockdown. The governance statement captures how the control environment changed during the period and what steps were taken to maintain a robust control environment during the disruption.
- **Disclosures and estimates:** Additional disclosures were required throughout the financial statements, including the management commentary, to reflect the additional risks facing the IJB and how these have impacted the key judgements and estimates made in preparation of the financial statements. These include disclosures on significant events after the balance sheet date.
- **Going concern:** In accordance with the CIPFA Code of Local Government Accounting, the IJB should prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. Covid-19 has created increased financial pressures throughout the public sector. Uncertainty remains about the level of financial support that may become available from the Scottish Government to reflect the financial consequences. In light of this, the audit placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. The results of this assessment are reported in Section 2 on page 13.

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

Adaption to remote working

Our audit fieldwork was completed remotely as a result of the Scottish Government’s lockdown restrictions. There were two key impacts:

- Additional work was required to assess the format of evidence provided and where necessary, procedures were performed to validate the authenticity of evidence.
- All contact with the Chief Finance Officer was conducted via virtual meetings. We would take this opportunity to thank the full IJB team for their co-operation and support throughout this period.

Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £2.1 million. We have considered whether any change to our materiality was required in light 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

Tolerable Error

Nominal amount

£2.1 million

£1.6 million

£105,000

1% of the IJB’s net expenditure

Materiality at an individual account level

Level that we will report to committee

As 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.

Financial statement 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 2020 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 2019/20 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. Our findings are summarised in Section 2 of this report.

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. 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 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 to the Board. 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. We outline our findings and assessment for 2020/21 on page 25.

Our Plan also noted that we would consider the IJB's arrangements against guidance issued by Audit Scotland, *Auditing Best Value – Integration Joint Boards (March 2018)*. In light of the IJB's focus on responding to and recovery from the pandemic, we have elected to delay our work in this area until 2020/21, to allow us to draw upon the IJB's self-assessment.

We are also required to draw upon our wider scope work to conclude on the extent to which the IJB can demonstrate and evidence the achievement of Best Value. Our findings are summarised in Section 3 of this report.



Financial Statements audit

Introduction

The annual financial statements provide the IJB with an opportunity 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 risk of fraud in revenue and expenditure recognition, including through management override of controls. This assessment was not changed as a result of the impact of Covid-19.

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. Schedule 6 of the Coronavirus (Scotland) Act 2020 allowed the IJB to postpone submitting the unaudited financial statements to auditors and publishing the audited financial statements until it was reasonably practicable to do so. Despite the pandemic, the Board complied with the regulations and the normal timescale concerning preparation, publication and approval of its annual accounts. We received the unaudited financial statements on 19 June 2020, in line with planned timescales.

The inspection notice was published by Falkirk Council on the IJB's behalf on 4 June 2020, in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

Audit Outcomes

We identified no unadjusted audit differences arising from the audit. 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 2020 and its expenditure and income for the year then ended • Financial statements in accordance with the relevant financial reporting framework 	<p>We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks 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 2019/20 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 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 13, we have no matters to report.</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>We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon:</p> <ul style="list-style-type: none"> • Review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector. • Audit Scotland's <i>Improving the Quality of Local Government Annual Accounts: Integration Joint Boards</i> Good Practice Note. 	<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. 	<p>Our procedures include:</p> <ul style="list-style-type: none"> • Agreeing the format of the reports to regulations and agreeing the disclosures to underlying accounting records, including to the underlying partner's accounting records. • 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

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.

Due to the nature of funding to the IJB from Falkirk Council and NHS Forth Valley, we rebutted the assumed fraud risk in respect of the income. For expenditure we associated the risk to the assurance over the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners.

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2019/20 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 Chief Finance 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.

Risk of management override

Our Annual Audit Plan recognises 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 of these 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

- Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.
- 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

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 (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.

The rationale for going concern remains the same, but we placed increased focus on management's assertion of going concern and disclosures relating to financial sustainability as a result of the uncertainty and unprecedented budget pressures caused by Covid-19.

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. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the IJB and its financial sustainability. 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's funding from and commissioning of services to partners has been confirmed for 2020/21, and a medium term financial plan has been prepared through to 2025. Work is ongoing with partners to refine the mobilisation plan prepared by the IJB at the request of the Scottish Government to quantify the financial impact of Covid-19 on the IJB in the immediate term. While there remains uncertainty about the level of Scottish Government funding in relation to Covid-19 additional costs, ultimately any costs will be met by the IJB's partners in line with the terms of the Integration Scheme.

The Integration Scheme sets out the process to be followed should the IJB overspend against the agreed budget. The Chief Officer is expected to manage the budget to ensure that there are no overspends. 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.

Our conclusions

- We are satisfied that the IJB remains a going concern.
- We challenged management on the adequacy of some of the disclosures in relation to going concern and the expected medium term impact of Covid-19, and a number of improved disclosures were made to 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.

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 apply our professional judgement to risk assess and focus our work on each of the 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. We have drawn upon this work to form a view on how effectively the IJB can demonstrate that it meets its Best Value responsibilities to the Board.

The Wider Scope dimensions

Financial Management:

- Considers the effectiveness of financial management arrangements, including whether there is sufficient 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 planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.

Governance and Transparency:

- Is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Value for Money

- Considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.

Financial Sustainability

Our Annual Audit Plan identified a significant risk in relation to continued financial pressures. The IJB has an approved medium term financial plan to 2025. However, the plan identifies a significant budget gap and the impact of Covid-19 has added further financial pressure and uncertainty to the IJB and its partners.

The partnership has made significant progress in 2019/20 to develop options to deliver the benefits of integration outlined within the Strategic Plan. However, ongoing strategic support from partners is required to capitalise on the opportunities, including the completion of transfer of key services. The ability of partners to agree and achieve required savings will therefore determine the success of integration in Falkirk.

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Medium Term Financial Planning

The IJB approved the 2020/21 budget at its meeting in December 2019, along with its delivery plan for 2019-22 and its medium term financial plan through to 2025. The plan supports the delivery of the IJB's Strategic Plan, and provides a summary of the known factors that will impact the financial position going forward.

The IJB MTFP considers the medium term financial planning arrangements of each partner body. NHS Forth Valley projected a funding gap of £60 million over a 5-year period from 2019-20 to 2023-24. Falkirk Council reported a projected funding gap of £78 million over a 5-year period of 2020-21 to 2024-25. The IJB noted that both the NHS and the Council's MTFP assume significant savings from the IJB over the period.

As Exhibit 1, below, highlights the IJB's projected budget shortfall for the period of the plan was £7 million in 2020-21, falling to £4.9 million in 2024-25. The MTFP could only reflect the savings identified within the first year of the plan, with confirmed savings of £2.2 million from Social Care (71% of the total gap of £3.091 million). The IJB had not yet received confirmation of the status of required savings to be identified from Health partners (to bridge a funding gap of £3.933 million). Changes to funding later reduced the savings target for 2020/21 to £4.98 million.

Recommendation 1: The IJB should ensure that savings plans over the full period of the MTFP should be agreed with partner bodies and embedded into the financial plans.

Exhibit 1: The IJB has projected a shortfall in funding for the 5-year period 2020/21 to 2024/25

Projections	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m
Expenditure	232.660	236.769	234.842	248.460	253.230
Funding	(225.636)	(232.258)	(239.195)	(234.667)	(248.344)
Shortfall	7.024	4.538	4.647	4.763	4.886

Financial impact of Covid-19 - Mobilisation Plans

The cost and service impact of Covid-19 have added further, significant financial pressures to the financial plan from 2020/21 onwards. The Chief Finance Officer has noted that it is difficult to effect transformational change in the midst of a global pandemic given the novel nature of the virus and evolving public health guidance, combined with ongoing uncertainty in terms of central funding assumptions. The IJB accept that it will be crucial to ensure that the budget position is closely monitored and options to manage budget pressures provided to the IJB board to ensure a balanced position is achieved for 2020/21.

Recommendation 2:

The IJB must revise and update the 5 year financial plan to take into account the impact of Covid-19 on IJB resources and in the context of additional pressure on partners.

While we do not underestimate the level of work required to assess the full effect of the global pandemic on the IJB's financial, operational and strategic plans, it is vital that the IJB works with partners to update the 5 Year Financial Plan.

The IJB is responsible for key front line services to some of the most vulnerable sections of the community. Covid-19 had an immediate and significant impact on the way that services were delivered. As part of the Scottish Government's response to Covid-19, the IJB has worked with partners to submit mobilisation plans, outlining the immediate financial impact. The first mobilisation plan was submitted in April 2020, and monthly submissions have since been provided to the Scottish Government to reflect the wider costs and impact on operational services. The most recent mobilisation plan, submitted by the IJB in August 2020, has identified additional cost pressures of £12.37 million.

The mobilisation plans will be subject to further refinement locally, and benchmarking at national level, to ensure that a core set of assumptions is in place in relation to the duration and financial impact of the virus. While the Cabinet Secretary has approved the mobilisation plan in principle, the funding received to date falls short of the impact estimated by the submitting bodies. Initial funding received to date is £2.1 million.

Funding to date has fallen significantly short of the costs association with the response to the pandemic.

Falkirk Recovery Plan – Remobilise, Recover and Redesign

As the Board responsible for key front line services to some of the most vulnerable sections of the community, Covid-19 had an immediate and significant impact on the way that services were delivered.

The IJB has begun the process of finalising its recovery plan, based on the Falkirk HSCP COVID-19 remobilisation, recover and redesign plan. The HSCP remobilisation, recover and redesign plan is aligned with those of NHS Forth Valley and Falkirk Council, the national route map and framework documents from the Scottish Government, national guidance and learning from other partners.

The Recovery Plan includes assessing the changes needed to the 2020/21 Business Plan which was agreed by the IJB. One of the key challenges is the non-achievement of savings as the programme was paused and therefore delayed as a result of the pandemic.

The Recovery Plan is wide-ranging, and includes:

- Capitalising on the opportunities made possible, including the promotion of self-management of conditions, the pace in the use of technology and the relationship between primary and secondary care.
- Increased collaborative working, both between Falkirk IJB partners and other HSCPs, including joint funding of critical posts and collaborative working to progress the Enhanced Community Team (ECT) approach.

The IJB has acted quickly to identify further opportunities for improvement, such as a review of in-house residential care. Some of the current residential provision is in old buildings, such as Torwoodhall. The layout and age of the building means that it is more difficult to meet post-Covid expectations for infection control and isolation. A review of this service was therefore approved in September 2020, which may allow the IJB to continue to shift the balance of traditional bed based care towards more care in the community and at home, in line with the aims of integration. We also note that work is underway to model the capacity and future demands for bed based care in community hospitals. Falkirk Community Hospital has not yet transferred to IJB control, but this provides a further opportunity to maximise the benefits of integration. The partnership has also identified key challenges, opportunities and risks through reviewing lessons learned, which are being used as key aspects in contingency planning in the event of a second wave of Covid-19.

There are now significant opportunities available to maximise the benefit of integration across the Partnership.

Savings plans 2020/21

In 2020/21, the IJB identified savings of £4.6 million, against a target of £4.8 million. Savings include £2.2 million from Adult Social Care, including improvements in locality planning, and £2.4 million as a result of a review of primary care prescribing. The majority of work to implement the 2020/21 savings plan was suspended to allow staff to focus on urgent Covid-19 priorities. As a result of this delay, £1.966 million of savings were considered to be high risk in terms of achievement in year as reported in September 2020. In addition, a further £0.413 million worth of savings are still to be identified. This will place further pressure on the IJB's medium term financial plan.

Financial Management

The IJB relied on non-recurring funding to deliver a £0.352 million deficit in 2019/20, including £1.706 million in additional contributions from NHS Forth Valley to meet overspends on health services.

The level of both general and earmarked reserves have remained consistent with the prior year. The IJB has updated the reserves policy, and as a result, increased the maximum level of contingency/general reserves to allow for offsetting the impact of unforeseen events or emergency situations.

The Board receive regular financial monitoring reports, including forecast over and underspends for the full year. Financial regulations have been established for the IJB, and these are kept up to date

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Financial Outturn

As Exhibit 2 below highlights, the IJB reported an overspend in the provision of services against budget of £2.619 million in 2019/20. In line with previous years, a risk sharing agreement was reached in respect of the integrated budget whereby Falkirk Council and NHS Forth Valley made an additional payment to the IJB (£0.759 million and £1.706 million respectively) in order to deliver an overall breakeven position on the specific services delegated to them by the IJB.

Exhibit 2: The IJB delivered overspends in both health services and social care during 2019/20

	Budget £'000	Expenditure £'000	(Underspend) / Overspend £'000
Large Hospital Services	27,741	27,741	0
Community Healthcare Services	37,490	36,604	(886)
Social Care Services	87,332	88,259	927
Primary Healthcare Services	79,349	81,941	2,592
IJB Running Costs	458	444	(14)
	232,370	234,989	2,619
Additional payment Falkirk Council	759	0	(759)
Additional payment NHS Forth Valley	1,706	0	(1,706)
Additional funding SG (Covid-19)	154	0	(154)
	2,619	0	(2,619)
TOTAL	234,989	234,989	0

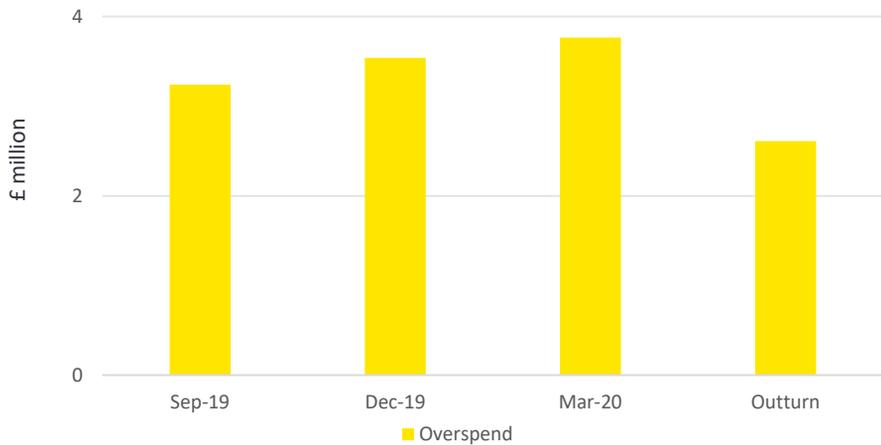
Source: Falkirk IJB 2019/20 Financial Statements

Financial Monitoring

The IJB prepares its financial statement and budget monitoring reports by consolidating financial data from its partners, Falkirk Council and NHS Forth Valley. The IJB receive a financial update report each quarter, with supporting commentary on key areas of movement. In 2019/20, the IJB held a General Reserve of £0.3 million to provide resilience to unforeseen events. In addition, a number of earmarked reserves are in place to ringfence funding for spend in line with key priorities.

As Exhibit 3, below, notes the IJB's projected overspend increased throughout 2019/20. As we noted in our 2018/19 report, there is not yet a long term risk sharing agreement in place to respond to areas of overspend. As a result, the individuals partners have made additional payments to offset the overspend within their services. While this occurred in 2019/20, in December 2019, NHS Forth Valley proposed that some of the overspend relating to health services should be met from ringfenced reserves. This underlines the need to develop risk sharing agreements to ensure that the IJB has the financial support necessary to deliver its Strategic Plan.

Exhibit 3: The IJB predicted significant overspends throughout the financial year



Source: Financial Monitoring Reports to the IJB 2019/20

The £0.3 million unallocated general reserve was within the approved reserves policy levels, which allowed for a total general reserves balance of £0.440 million (equivalent to 0.2% of 2019/20 total net expenditure) to be held by the IJB. In light of the significant impact of the global pandemic, the Chief Finance Officer reviewed the Reserves Policy to assess its adequacy.

Review of Reserves Policy

A *Review of Reserves* paper was taken to the September 2020 IJB Board, which recommended the general reserves balances be increased from £0.440 million to £1.079 million (equivalent to 0.5% of IJB net expenditure based on the 2019/20 financial statements). This is due to consideration of a wide range of strategic, operational and financial factors including ongoing demand led pressures, whole system transformation, longer term financial risk sharing arrangements and business continuity issues (including Brexit and pandemic response/recovery).

We will follow up on the progress of the investment programme as part of our 2020/21 audit work.

In addition, the paper recommended that the general reserve balance be build up on a recurring basis, where possible, to support longer-term risk management arrangements. The paper also outlined that work will commence in September 2020 to develop a new 3 year investment programme in respect of partnership funds for 2021 to 2024, with work expected to be completed in 2020/21.

Financial management arrangements

Through the year we have observed that IJB receive regular financial monitoring reports, including forecast over and underspends for the full year. Relative to the scale of expenditure incurred by partners in undertaking their functions, the variances identified through the year indicate monitoring controls are robust.

Financial regulations have been established for the IJB, and these are kept up to date. In accordance with statutory requirements, the IJB appointed a Chief Finance Officer (CFO). We are satisfied that the IJB has made arrangements for the proper administration of its financial affairs.

Governance and Transparency

While progress has been made on implementing integrated structures, a number of key governance processes that are required to support integration are still outstanding.

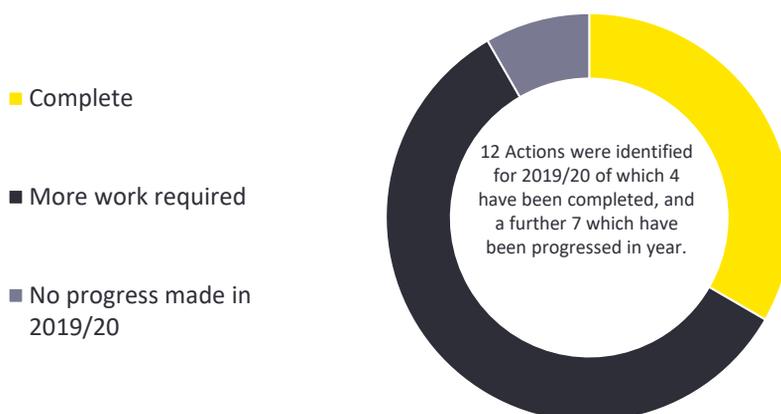
The IJB's self-evaluation of progress against key features of integration, completed in 2018/19, highlighted that a significant level of work is required to provide the level of collaborative leadership necessary to increase the pace of change. Key improvement actions have been identified in a draft improvement plan, however, progress was put on hold due to the global pandemic.

The IJB responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic. We were satisfied that Board members have access to sufficient information as a result of the continuance of virtual meetings, and regular briefings to all members.

Local Code of Corporate Governance

Under the CIPFA framework for Delivering Good Governance in Local Government, the IJB uses the Annual Governance Statement (AGS) to report on its assessment of the effectiveness of the governance framework throughout the financial year, and key areas of improvement for 2020/21. The IJB has used the Annual Governance Statement to report back on the progress against priority areas identified for improvement in 2019/20. As Exhibit 4 notes, 4 of the 12 actions were completed as planned. However, the AGS noted that three of the actions were delayed due to Covid-19, including the action which was not progressed during the year.

Exhibit 4: Progress against governance priorities for 2019/20



Source: Annual Governance Statement 2019/20

Annual Governance Statement

We reviewed the Annual Governance Statement within the financial statements against the required guidance. While the IJB acknowledges significant governance development areas, they consider that the internal control environment provides reasonable and objective assurance that significant risks would be identified and mitigated. We were satisfied that the statement met the requirements and was materially consistent with both the governance framework and key findings from relevant audit activity.

As part of the audit process we worked with management to improve the disclosure of how governance arrangements were maintained during the revised operating arrangements as a result of Covid-19.

Covid-19 Governance Arrangements

Like all other public bodies in Scotland, the IJB moved to revised governance arrangements at the beginning of the UK lockdown period. The IJB has continued to meet virtually throughout the crisis. The board meeting scheduled for 5 June 2020 was cancelled as a result of the pandemic, however, the March, June and September meetings went ahead.

A paper noting the 'Delegation of Powers to Determine Urgent Issues' including the cancellation of the 5 June 2020 board meeting due to Covid-19 was taken to the March board meeting. Early information on the impact of Covid-19 on Care Homes was reported to the board at its June 2020 meeting.

In response to the Covid-19 pandemic, the Falkirk Health and Social Care Partnership (HSCP) established Covid-19 triage hubs and Community Assessment Centres in order to maintain separate Covid-19 and non-Covid-19 urgent care pathways within Primary Care. They also implemented a local PPE hub to protect the supply chain for social care providers and carers, created testing capacity and formed the integrated Care Home Assurance Review Team to support Care Homes.

Risks associated with the pandemic have also been considered by the board. An updated risk register, taking account of Covid-19, was presented to the Audit Committee and the board at the September 2020 meeting.

Scottish Government guidance issued in May 2020 meant that NHS boards assumed accountability and responsibility for care governance across all care homes. We are satisfied that key information was disseminated to IJB board members on a timely basis.

Assurance Statement

The IJB's Internal Audit opinion for the year, reported to the board at their meeting held on 19 June 2020, concluded that "on the basis of work undertaken, Internal Audit can provide substantial assurance in relation to Falkirk IJB's arrangements for risk management, governance, and control for the year to 31 March 2020."

Governance arrangements were quickly developed to ensure that the IJB was kept informed of the impact of Covid-19. We were therefore satisfied that Board members had sufficient information to continue to fulfil their role.

Updated Audit Committee terms of reference ensure that the minutes of committee meetings are reported to the board, and the committee are required to report an annual assurance statement to the board.

Audit Committee

The Audit Committee met on 6 March 2020, and then again, virtually, on 25 September 2020. Consideration of the draft financial statements and Annual Governance Statement was fulfilled by a virtual meeting of the IJB in June 2020.

Updated terms of reference for the Audit Committee were proposed to the board in March 2020 (and subsequently approved by the Chief Officer with agreement from the Chair and Vice Chair under delegated powers). The terms of reference included two main updates, both driven by previous Internal Audit reviews.

- The first was to formally note that the minutes of the Audit Committee will be submitted to the IJB. This was appropriately actioned through 2019/20.
- The second was to confirm that the Audit Committee will report annually to the IJB. The annual assurance statement for 2019/20 was considered at the Audit Committee meeting in September 2020, and will be taken to the board meeting in November for consideration.

Self Assessment of Arrangements to support Integration

In November 2018, Audit Scotland published a progress report on Health and Social Care Integration. The report highlighted a number of challenges faced by IJBs that impacted the pace and effectiveness of intervention. A series of six features that support integration were identified. In February 2019, a Leadership Group led by the Ministerial Strategic Group (MSG) for Health and Community Care, and the Convention of Scottish Local Authorities (CoSLA) reported on their review of progress. The MSG developed a self-evaluation template based on the six key features of integration that each IJB considered and reported to the Scottish Government in May 2019.

The Falkirk IJB self-evaluation was undertaken during a board development session in May 2019. Over 80 improvement actions were identified during the self-evaluation exercise in 2018/19.

A draft improvement plan has been developed to reflect the views set out in the self-evaluation template, and was presented to the board in September 2019. The improvement plan was developed with prioritised improvement actions, and the improvement actions have been aligned (where relevant) to the IJB risk register. The plan also sets out how progress will be monitored and reported through arrangements outlined, for example, agreement of delegated budgets being reported through the Chief Officer and/or Chief Finance Officer report and the IJB performance reports.

The IJB had originally planned for a follow up report to be presented to the board in early 2020, however, the emergence of the global pandemic had delayed further progress of the integration improvement plan. While we understand that deadlines will be impacted by the Covid-19 response, we note that this work is intended to support the progression and maturity of integration in Falkirk.

Recommendation 3:

The IJB should ensure that the draft improvement plan is finalised and the follow-up report for the improvement plan is revisited to allow for further progress with integration.

Integration scheme review

Legislation requires that the Integration Scheme which governs the operations of the IJB is reviewed by the main partners, being Falkirk Council and NHS Forth Valley, at least every five years. The integration scheme for Falkirk IJB is due to be reviewed by November 2020.

During 2019/20, the Partner bodies confirmed the lead officers for the integration scheme review. Falkirk Council nominated the Chief Governance Officer, and NHS Forth Valley nominated the Director of Public Health. Given the Director of Public Health's pivotal role in relation to Covid-19, he is likely to remain heavily engaged in the response to the pandemic. The IJB has therefore requested that NHS Forth Valley nominate another lead officer for the integration scheme review.

Recommendation 4: The IJB should ensure that risk sharing is embedded into upcoming integration scheme review.

As noted within our 2018/19 Annual Audit Report, the IJB has recognised that longer-term budget management arrangements (especially in respect of risk sharing arrangements) need to be embedded and agreed between partners. This will be incorporated into the upcoming Integration Scheme review.

Value for Money

The IJB exercised powers granted by the Coronavirus (Scotland) Act 2020 regarding the delayed publishing of the Annual Performance Report for 2019/20.

The Annual Performance Report 2019/20 highlights mixed performance, with improvement in areas related to positive experiences of care and healthy living and premature mortality rate, but lower performance for key indicators including readmission to hospital within 28 days and fall rate per ageing population.

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Performance Reporting

The IJB exercised the powers granted to public authorities under the Coronavirus (Scotland) Act 2020 regarding the delayed publishing of the Annual Performance Report for 2019/20 due to a significant number of the staff involved in the preparation of the report being involved in supporting the Covid-19 response. The report was published at the start of November 2020.

The IJB receives regular performance reports against a range of local and national indicators. 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.

The Annual Performance Report highlights key areas of strategic priority investment and includes a range of performance measures against the outcomes included in its strategic plan. The Covid-19 pandemic had a significant impact on the partnership, however, the IJB were at the forefront of the response to the pandemic including the redesign of services as well as innovative ways to deliver services. The 'Remobilise, Recover and Redesign Plan' outlines the approach for recovery and the potential opportunities for redesign. A key aspect of this is integrated working across the partnership.

As Exhibit 5 demonstrates, for the indicators that the IJB was able to report on against new data in 2019/20, performance remained mixed. The report highlights improvement in key indicators including positive experiences of care and healthy living and premature mortality rate, but lower performance for key indicators including readmission to hospital within 28 days and fall rate per ageing population.

Exhibit 5: Performance against key indicators improved overall in 2019/20



Source: Falkirk IJB Performance report 2019/20

Best Value: Our assessment

We have drawn upon our wider scope work to conclude on the IJB's approach to Best Value. We note that the Board has made a number of improvements in working arrangements, including maintaining governance arrangements throughout lockdown. However, in our view, the IJB does not yet have a framework to allow it to demonstrate to the Board that Best Value is being achieved. The level of integration continues to fall short of the expectations within legislation and the IJB cannot yet demonstrate financial sustainability.

A planned self assessment against the Audit Scotland's Best Value guidance for IJBs was delayed as a result of the global pandemic, and will be addressed in 2020/21. This will be a key step to allow the IJB to demonstrate that it meets Best Value responsibilities to the Board.

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Forming our judgement

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 forming this judgement, we have drawn upon the work conducted in response to our wider scope responsibilities, and specifically:

- Our consideration of the IJB's financial planning processes;
- Governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- Our assessment of performance reporting to the Board, and to the public via the Annual Performance Report;
- The IJB's self-assessment arrangements, including review of its effectiveness and improvement plan against Audit Scotland's November 2018 report; and
- The ability of the IJB to direct change to deliver its Strategic Plan through the level of integration and the effectiveness of Directions.

We also note that the IJB has not yet been able to conduct its own self-assessment against guidance issued by Audit Scotland in March 2018, *Auditing Best Value – Integration Joint Boards*. Prior to the impact of the global pandemic, our annual audit work planned to support this self-assessment. The self-assessment, and our review, is now planned for 2020/21 will include consideration of:

- How the IJB is demonstrating the impact of integration;
- The effectiveness of plans in improving the outcomes for local people;
- How the integration partners are working together to deliver integration reform; and
- The overall pace and scale of change.

Recommendation 5: The IJB should conduct a self-assessment against Audit Scotland's 'Auditing Best Value – Integration Joint Boards' guidance issued in March 2018 as part of planned 2020/21 work.



Appendices

A – Code of Audit Practice: responsibilities

B – Independence and audit quality

C – Required communications with the audit committee

D – Action plan

E - Follow up of prior year recommendations

F – Timing and deliverables of the audit

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 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated March 2020.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that management and members of the IJB consider the facts known collectively to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Board on 20 November 2020.

Audit Fees

	2019/20	2018/19
Component of fee:		
Total agreed auditor remuneration *	£20,100	£18,900
Agreed additional fees	-	£8,690
Audit Scotland fixed charges:		
Pooled costs	£1,790	£1,670
Performance audit and best value	£5,360	£5,050
Audit support costs	£1,110	£1,080
Total fee	£28,360	£35,390

* 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.

As the 2019/20 audit required additional audit procedures to address both the need for a reassessment of all audit risks and the additional scrutiny around financial statement disclosures impacted by the direct and indirect consequences of Covid-19, we have positioned the fee towards the higher end of the fee range.

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 2020 UK Transparency Report can be accessed on our website at https://www.ey.com/en_uk/who-we-are/transparency-report-2020. 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-201920>.

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>	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
<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>	Annual Audit Plan
<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 	Annual Audit Plan Annual Audit Report
<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 • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements 	Annual Audit Report
<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 	Annual Audit Report
<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 	Annual Audit Report
<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 	Annual Audit Report or as occurring if material.

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>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

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

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 / or risk	Recommendation / grading	Management response / Implementation timeframe
1	<p>The IJB approved the 2020/21 budget at its meeting in December 2019, along with its delivery plan for 2019-22 and its medium term financial plan through to 2025.</p> <p>The IJB medium term financial plan reported expenditure, funding and shortfall projections over the 5-year period. The projected shortfall decreases from £7 million in 2020-21 to £5m in 2024-25.</p> <p>The MTFP includes a savings summary, however, this only covers the first year of the plan, with confirmed savings of £2.2 million from Social Care (for a total gap of £3.091 million) and no confirmation of savings identified from Health (funding gap of £3.933 million).</p> <p>It was noted that NHS Forth Valley colleagues were working on plans to address the financial gaps in 2020/21 and beyond, and that an update would be provided to the IJB. 2020/21 savings are being monitored within quarterly finance reports to the board.</p>	<p>The IJB should ensure that the MTFP saving summary is completed for the full 5-year period of the financial plan, to allow for potential funding gaps and savings targets to be identified by the IJB and partners as soon as possible.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>The need to identify future savings initiatives to support longer term financial sustainability is recognised. Progress in this area is dependent on completion of the transfer of planning and operational management responsibility for all outstanding in scope health services.</p> <p>Responsible officer: Falkirk IJB Chief Officer, Falkirk IJB Chief Finance Officer, Falkirk Council Chief Executive and NHS Forth Valley Chief Executive.</p> <p>Implementation date: March 2021</p>
2	<p>The impact of the Covid-19 global pandemic has meant that the 5 Year Financial Plan now needs to be updated and reviewed.</p> <p>There remains uncertainty about the level of financial support that will be available from the Scottish Government.</p>	<p>The IJB must review the 5 Year Financial Plan, and Strategic Plan to respond to the impact of the global pandemic. This should include an assessment about the appropriateness and achievability of savings moving forward.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>The Medium Term Financial Plan is a live, dynamic document which is routinely updated and reviewed. As the longer term operational service impact of the pandemic becomes clear, this will be incorporated within our strategic financial planning assumptions. In the meantime, we continue to separately track and monitor the financial impact of Covid in line with Scottish Government guidance.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: 31 March 2021</p>

Classification of recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
3	<p>In November 2018, Audit Scotland published a progress report on Health and Social Care Integration. The Ministerial Steering Group (MSG) developed a self-evaluation template based on the six key features of integration. Falkirk IJB completed a self-assessment during a board development session in May 2019, with over 80 improvement actions being identified to allow for a fully integrated IJB.</p> <p>A draft improvement plan has been developed to reflect the views set out in the self-evaluation template, and was presented to the Board in September 2019. The IJB had originally planned for a follow up report to be presented to the Board in early 2020, however, the emergence of the global pandemic had delayed further progress of the integration improvement plan.</p> <p>Further steps have been taken during 2019/20 to allow for integration, including shared working as a response to the global pandemic. However, the IJB has acknowledged that further work to complete in order to be fully integrated. This includes, for example, the Falkirk Community Hospital being transferred from NHS Forth Valley to the IJB.</p>	<p>Falkirk IJB and partner bodies should take further steps to allow for full integration, in line with the expectation of the MSG and Audit Scotland.</p> <p>The MSG draft improvement plan should be finalised, and follow up reports presented to the Board on a regular basis to allow for appropriate governance overview regarding integration.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>Good progress has been made in a number of key areas during 2019/20 however, it is recognised that the overall pace of change remains slow and further work to achieve full integration is necessary.</p> <p>Responsible officer: Falkirk IJB Chief Officer, Falkirk Council Chief Executive and NHS Forth Valley Chief Executive</p> <p>Implementation date: June 2021</p>
4	<p>Legislation requires that the Integration Scheme which governs the operations of the IJB is reviewed by the main partners, being Falkirk Council and NHS Forth Valley, at least every five years. The integration scheme for Falkirk IJB is due to be reviewed by November 2020.</p> <p>As noted in 2018/19, the IJB has recognised that longer-term budget management arrangements (especially in respect of risk sharing arrangements) need to be embedded and agreed between partners.</p> <p>Currently, risk sharing is agreed by partners on an annual basis.</p>	<p>The IJB should ensure that risk sharing is embedded into the integration scheme which is due to be formally reviewed by November 2020. This will allow for longer-term financial management.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>A longer term risk sharing agreement to support strategic financial management for all Partners is preferable to the current annual arrangement. This will be considered as part of the formal review of the Integration Scheme. It is unlikely that the Integration Scheme will be reviewed by the original deadline of November 2020 due to the ongoing impact of Covid.</p> <p>Responsible officer: Falkirk Council Chief Executive and NHS Forth Valley Chief Executive.</p> <p>Implementation date: March 2021.</p>

Classification of recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
5	<p>The IJB has not yet conducted a self-assessment against guidance issued by Audit Scotland in March 2018, <i>Auditing Best Value – Integration Joint Boards</i>.</p>	<p>The IJB should conduct a self-assessment against Best Value guidance to allow it to demonstrate to the Board key requirements are in place.</p> <p>Results can be considered in conjunction with the MSG integration improvement plan to further embed integration with the partnership.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Agreed.</p> <p>The IJB's ability to demonstrate Best Value is dependent on achievement of full integration of all adult Health and Social Care services.</p> <p>Responsible officer: Falkirk IJB Chief Officer, Falkirk Council Chief Executive and NHS Forth Valley Chief Executive.</p> <p>Implementation date: June 2021</p>

Appendix E: Prior Year Action Plan

This action plan summarises specific recommendations included within the 2019 Falkirk IJB Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

Classification of recommendations			
No	Findings and recommendation	Management response	Management response / Implementation timeframe
	<p>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.</p>	<p>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.</p>	<p>Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.</p>
1	<p>The final reserves position was a significant improvement on levels projected throughout the financial year. Unexpected underspends against earmarked funds meant that priority areas of investment for the IJB may not have had the impact envisaged.</p> <p>The IJB must ensure that financial reporting from partners supports greater transparency on the use and impact of reserves.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Accepted.</p> <p>Partnership Funding reserves are project driven and in some cases, confirmation of spend for the year, through monitoring returns, can be late and this impacts on projections. Steps will be taken to try and improve this process.</p> <p>For the remaining reserves, processes will be reviewed to ensure an improved reporting framework is developed.</p> <p>Responsible officer:</p> <p>IJB Chief Finance Officer</p> <p>Falkirk Council Chief Finance Officer</p> <p>NHS FV Director of Finance</p> <p>Implementation date: 31 March 2020</p>	<p>The vast majority of reserves are held in NHS Forth Valley's ledger on behalf of the IJB. Monthly reports were provided throughout 2019/20 by NHS Forth Valley outlining the use of reserve balances.</p> <p>In addition, detailed quarterly performance information was monitored by the Partnership Funding Group.</p> <p>Progress towards further clarity in reserves reporting from partners will be reviewed in 2020/21.</p> <p>Audit Assessment: Partially complete</p>

No	Findings and recommendation	Management response	Management response / Implementation timeframe
2	<p>The IJB recognised within its self-evaluation that insufficient progress has been made to ensure that funding loses its identity. Current financial monitoring reports focus on the source of funding rather than how the funding has been used to support the delivery of the Strategic Plan. One of the contributing factors is the short term risk sharing agreement which necessitates budget monitoring by partner bodies’.</p> <p>Longer-term budget management arrangements, especially in respect of risk sharing arrangements need to be embedded and agreed between the partners.</p> <p>Robust recovery plans must be developed for areas of overspend to ensure that partners are not subject to unexpected financial risk.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>Work is underway to develop a longer term approach to risk sharing and to developing recurrent savings. Partners recognise the importance of this.</p> <p>This is dependent on progress with integration and links to the due diligence exercise required for services where the operational management is transferring to the Partnership. This work must be progressed at pace by all partners.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives IJB Chief Finance Officer Falkirk Council Chief Finance Officer NHS FV Director of Finance</p> <p>Implementation date: 31 March 2020</p>	<p>Longer term risk sharing arrangements will form part of the formal review of the integration scheme. The law requires that the integration scheme is reviewed every 5 years by the constituent authorities, and is due to be completed by the IJB in November 2020.</p> <p>Audit Assessment: Superseded by Action Plan Point 4</p>
3	<p>The IJB has identified that changes in service delivery are needed to develop financial sustainability. While progress has been made to develop integrated structures, the pace has been slower than anticipated.</p> <p>A key element of a longer term plan will be the identification of sustainable savings through both service change and efficiency.</p> <p>Continued work is required to finalise a medium-term financial strategy, underpinned by identified and agreed budget savings over the term of the plan to not only manage in year financial positions, but also to ensure that the forecast pressures are addressed on a timely basis and the IJBs Strategic Plan is delivered.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>High level financial data has been provided to allow a projected financial gap for the IJB to be projected over the medium term. More work is required to consider the impact of key cost drivers and how these can be mitigated over the period. The development of a robust medium term financial plan will require planning support as well as input from officers across the Partnership to ensure changes to service delivery models are developed collaboratively and have the necessary impact.</p> <p>A robust medium term financial plan will be dependent on an increase in the pace of integration.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives IJB Chief Finance Officer Falkirk Council Chief Finance Officer NHS FV Director of Finance</p> <p>Implementation date: 31 March 2020</p>	<p>The medium term financial plan (MTFP) was developed during 2019/20 and received IJB approval in December 2019. The MTFP will be subject to regular review, especially in light of significant changes such as the impact of Covid-19.</p> <p>The review and reporting schedule will be developed during 2020/21 in conjunction with Partners and Internal Audit.</p> <p>Audit Assessment: Superseded by Action Plan points 1 and 2</p>

No	Findings and recommendation	Management response	Management response / Implementation timeframe
4	<p>A number of key governance arrangements necessary to support integration are not in place. The level of management capacity available means that the scale and pace of change is at risk.</p> <p>Partners must agree support service arrangements to provide additional resource and capacity for the IJB to deliver the Strategic Plan.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Accepted.</p> <p>Work is underway by each of the Partners to produce a report on support services for the IJB. This report will be produced in collaboration with the Chief Officer.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives</p> <p>Heads of HR – Falkirk Council & NHS Forth Valley</p> <p>Implementation date:</p> <p>31 December 2019</p>	<p>Significant progress was not able to be made in 2019/20 due to the emergence of the Covid-19 pandemic which required key staff to support the Covid-19 response. This will be progressed in 2020/21.</p> <p>Audit Assessment: Incomplete</p>
5	<p>During our attendance and observations at meetings, we noted occasions where there continue to be disagreements and confusion about the lines of accountability.</p> <p>Board members need to be clear about their corporate responsibilities to the IJB, and demonstrate the leadership needed to deliver the necessary change and make key decisions about the future shape of services.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>A programme of leadership development is ongoing across the Board which will seek to address these issues.</p> <p>Responsible officer:</p> <p>IJB Board Members</p> <p>Chief Officer & Chief Executives</p> <p>Implementation date:</p> <p>31 December 2019</p>	<p>Management noted that a facilitated development programme was initiated for IJB members, Partners and senior staff during 2019/20 to improve collaborative leadership and support change across organisational boundaries.</p> <p>Our attendance and observation at meetings during 2019/20 identified that there continue to be disagreements adversely affecting the long term risk sharing approach for the IJB. Therefore, original recommendation raised still valid for 2019/20 report.</p> <p>Audit Assessment: Partially complete</p>
6	<p>We note that the IJB has taken steps to improve risk management arrangements during 2018-19. However, the lack of dedicated risk management support from NHS Forth Valley may not provide sufficient assurance to the IJB that appropriate arrangements are in place to identify and mitigate risk. The IJB must satisfy itself that risk management support is sufficient from both partners, and that mitigation arrangements for key strategic risks are prioritised and appropriate.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>NHS Forth Valley is in the process of increasing the risk management support available to the Health Board and the IJBs.</p> <p>Responsible officer:</p> <p>Chief Executive, NHS Forth Valley</p> <p>NHS FV Director of Finance</p> <p>Implementation date:</p> <p>31 March 2020</p>	<p>To date the IJB has been supported by Falkirk Council's Corporate Risk Co-ordinator. NHS Forth Valley have recently recruited a Corporate Risk Manager which will strengthen the position going forward, particularly in light of the forthcoming transfer of operational management responsibility for all outstanding in scope Health services during 2020/21.</p> <p>Audit Assessment: Complete</p>

No	Findings and recommendation	Management response	Management response / Implementation timeframe
7	<p>There to is scope to make the Annual Performance Report more accessible and user friendly by focusing on key priorities, achievements and challenges.</p> <p>We also note that the report was published before it had been considered by the IJB in order to meet the statutory deadline of 31 July.</p> <p>The IJB should review the processes in place to produce the Annual Performance Report to ensure that it provides sufficient information to allow users to assess whether the IJB is achieving Best Value.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>The processes in place for preparation of the Annual Performance Report will be reviewed.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives Senior Service Manager – Performance & Planning Falkirk Council Service Manager – Performance NHS FV Performance Manager</p> <p>Implementation date:</p> <p>31 July 2020</p>	<p>The planned review and publication of the 2019/20 Annual Performance Report has been delayed due to the impact of Covid-19. This will be taken forward in 2020/21.</p> <p>Audit Assessment: Incomplete</p>
8	<p>The IJB reports performance against a range of indicators and outcomes in the Financial Statements and its Annual Performance report.</p> <p>Performance against a number of indicators has declined both against prior year and against comparators.</p> <p>The IJB must ensure that key areas of performance are prioritised to deliver constituent improvement and pace.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Accepted.</p> <p>Delivery of this recommendation will be dependent on progress with integration and the support services agreement. The Partnership needs the appropriate support and capacity to deliver on the transformation work required to see an improvement in performance in key areas.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives IJB Board Members</p> <p>Implementation date:</p> <p>31 March 2020</p>	<p>Implementation of the integrated management structure and recruitment of key posts progressed well during 2019/20 (including appointment to the second Head of Integration post and Central Locality Manager). The focus for the coming financial year will be to build capacity in terms of central support functions and to realign services within the Locality reporting structure.</p> <p>Audit Assessment: In progress</p>
9	<p>Longer-term budget management arrangements, especially in respect of cost sharing arrangements need to be embedded and agreed between the Partners.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>The one year agreement for 2017/18 reflects the transitional phase that the IJB is in. This transition is expected to continue throughout 2018/19. Subsequently another one year agreement may be required. However, it is recognised and accepted that a formal, long term agreement will be required.</p> <p>Implementation date: Ongoing</p>	<p>As outlined above, the IJB is due to complete a review of the Integration Scheme by November 2020. Embedding risk sharing agreements into the integration scheme is a key aspect of this exercise.</p> <p>Audit Assessment: Superseded by Action Plan Point 4</p>

No.	Findings and recommendation	Management response	Management response / Implementation timeframe
10	<p>Continued work is required to finalise a medium-term financial strategy, underpinned by identified and agreed budget savings over the term of the plan to not only manage in year financial positions, but also to ensure that the forecast pressures are addressed on a timely basis and the IJBs Strategic Plan is delivered.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Agreed. An outline Medium Term Financial Plan is expected to go to the IJB in October 2018. The savings plan is expected to go alongside an updated Medium Term Financial Plan in December 2018.</p> <p>Implementation date: October 2018 and then ongoing.</p>	<p>The medium term financial plan (MTFP) was developed during 2019/20 and received IJB approval in December 2019.</p> <p>Audit Assessment: Complete</p>
11	<p>While it is currently anticipated NHS in-scope services will transfer to the IJB during 2018/19, this has still be approved. The pace of integration requires significant improvement.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>There is an IJB Development session planned for 21 September 2018 with support from Scottish Government to review the role of the IJB, chief Officer and governance. This will inform the continued development at the proposed structure which will be submitted to the IJB meeting on 5 October.</p> <p>Implementation date: Ongoing</p>	<p>While the proposed structure has been agreed in 2018/19, minimal progress has been made on transferring in-scope services during 2019/20. For example (as outlined at Appendix D, action plan 3), the Falkirk Community Hospital has not yet been transferred to the IJB.</p> <p>Audit assessment: Incomplete</p>
12	<p>Notwithstanding the progress that has been made, a large number of actions remain to be fully implemented across the governance framework and increased focus is required to address the outstanding actions, with a focus on addressing the red graded items.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>The outstanding actions will be prioritised with a focus by the leadership team to be completed by March 2019.</p> <p>Implementation date: Ongoing</p>	<p>As we note within Appendix D, the governance action plan has been superseded by a revised improvement plan for the MSG. A draft improvement plan has been documented, however, progress has been delayed due to the global pandemic.</p> <p>Audit Assessment: Superseded by Action Plan Point 3</p>

Appendix F: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the IJB, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2019/20 audit cycle.

	Audit Activity	Deliverable	Timing
JAN			
FEB	<ul style="list-style-type: none"> Audit planning; setting scope and strategy for the 2019/20 audit LAN meetings held with other scrutiny partners 	Annual Audit Plan	March 2020
MAR			
APR			
MAY	<ul style="list-style-type: none"> Ongoing assessment around wider scope dimensions and support of Audit Scotland requested information 	Impact report: Children and Young People's Mental Health	NA
JUN			
JUL	<ul style="list-style-type: none"> Year-end substantive audit fieldwork on unaudited financial statements 	Audit clearance meeting	September 2020
AUG			
SEP	<ul style="list-style-type: none"> Conclude on results of audit procedures Issue opinion on the IJB's financial statements 	Certify Annual Financial Statements Issue Annual Audit Report	November 2020
OCT			
NOV			

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