

Moray Integration Joint Board

DRAFT 2019/20 Annual Audit Report

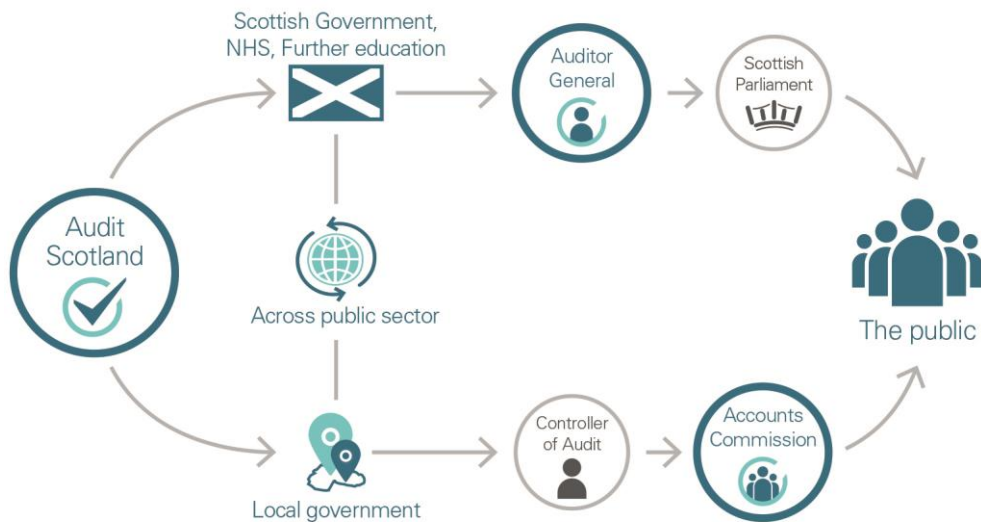


Prepared for Moray Integration Joint Board and the Controller of Audit
26 November 2020

Who we are

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

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



About us

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

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

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

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Key messages

2019/20 annual report and accounts

- 1 Our audit opinions on the annual accounts of the Moray Integration Joint Board are unmodified.
- 2 The unaudited accounts were submitted later than originally planned and the limitations of remote working impacted on our audit timetable.

Financial management and sustainability

- 3 The 2019/20 budget was balanced, but relied on planned savings of £3.1 million, of which 60% were not delivered. The IJB reported a small deficit of £0.07 million in 2019/20, but this was after an additional £2 million deficit funding by partner bodies and the use of £1 million of strategic funds to support core services.
- 4 Early indications from 2020/21 are that the £0.9 million of savings identified in the recovery plan will not be achieved due to Covid-19.
- 5 The IJB now has a medium-term financial plan in place, but this needs to be reviewed due to the impact of COVID-19. Latest estimates report that £5.2 million of additional costs will be incurred during 202/21 due to COVID-19.
- 6 The IJB holds no contingency reserves, and a limited amount of earmarked reserves which cannot be relied on to support future deficits.

Governance, transparency and best value

- 7 Governance arrangements are appropriate. These were adapted in response to COVID-19. There have been recent changes to the IJB's Board and senior management.
- 8 A ten-year Strategic Plan was approved by the Board in December 2019.
- 9 The IJB has effective arrangements in place for monitoring performance, but this and national reporting has been disrupted by COVID-19.
- 10 The IJB still needs to develop arrangements to demonstrate how it secures best value.

Introduction

1. This report is a summary of our findings arising from the 2019/20 audit of Moray Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan which was circulated to members of the Audit, Performance and Risk Committee in April 2020. This report comprises the findings from our main elements of work in 2019/20 including:
 - an audit of the IJB's 2019/20 annual accounts including the issue of an independent auditor's report setting out my opinions
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) ([Exhibit 1](#)).

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. Subsequent to the publication of the Annual Audit Plan, in common with all public bodies, the IJB and partner bodies have had to respond to the global coronavirus pandemic. For the financial year 2019/20, only the final few weeks were affected, however the effects will have significant impact into 2020/21. We have carried out our planned audit work remotely to comply with travel restrictions and physical distancing.

Adding value through the audit

4. We add value to the IJB via the audit process by:
 - identifying and providing insight on significant risks, and making clear and relevant recommendations
 - sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

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

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

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

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

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

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

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

Auditor Independence

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

13. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2019/20 audit fee of £26,560, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

15. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

Our audit opinions on the annual accounts are unmodified.

The unaudited accounts were submitted later than originally planned and the limitations of remote working impacted on our audit timetable.

The set aside amount in the 2019/20 annual accounts is £12.3 million which increased from earlier estimates based on 2017/18 activity levels. It is fully funded by NHS Grampian and has no impact on the net outturn.

The annual report and accounts are the principal means of accounting for the stewardship of the resources and performance.

Our audit opinions on the annual accounts are unmodified

16. The annual accounts for the year ended 31 March 2020 were approved by the Board on 26 November 2020 (TBC). We reported within the independent auditor's report that:

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

The annual accounts were submitted one month later than initially planned and the limitations of remote working impacted on our audit timetable

17. The unaudited accounts were received on 30 July 2020 which was one month later than the agreed audit timetable set out in our Annual Audit Plan. Both Moray Council and NHS Grampian elected to take advantage of the extended reporting deadline permitted by Schedule 6 of the Coronavirus (Scotland) Act 2020. The IJB was also affected as the IJB depends on the financial systems and reporting in the partner bodies.

18. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than appointing the Chief Officer and Chief Financial Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounts. Satisfactory arrangements are in place to identify this income and expenditure and report this to the IJB.

19. Audit Scotland's [Covid-19: Guide for audit and risk committees \(August 2020\)](#) recommends that members consider whether there is sufficient capacity to deal with competing pressures, such as preparing annual accounts, at a time when working practices are having to be adapted due to Covid-19.

20. The working papers provided to support the accounts were of a good standard and the Chief Financial Officer provided good support to the audit team which enabled the audit to run smoothly.

Overall materiality is £1.3 million

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

22. On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#).

Exhibit 2 Materiality values

Materiality level	Amount
Overall materiality	£1.3 million
Performance materiality	£780,000
Reporting threshold	£65,000

Source: Audit Scotland, 2019/20 Annual Audit Plan

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

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

We have one significant finding to report from the audit

24. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. We have one significant finding to report with respect to the financial statements.

Exhibit 3

Significant findings from the audit of the financial statements

Audit findings	Resolution
<p>Estimates of hospital set aside</p> <p>The annual accounts include the amount set aside for large hospital services. The set aside amount in the 2019/20 annual accounts is £12.3 million. This figure was updated during the year following receipt of the validated 2017/18 activity levels from the Information Services Division (ISD). The original set aside amount approved as part of the 2019/20 IJB revenue budget was £10.6 million.</p>	<p>The expenditure is matched by an equivalent funding contribution so there is no impact on the IJB's outturn or on accumulated reserves and NHS Grampian is responsible for managing any overspends on the set-aside budget. On this basis, we do not consider it is a significant accounting estimate for Moray Integrated Joint Board.</p> <p>We received assurances from the auditor of NHS Grampian that the set aside figures in the IJB accounts had been reviewed and was appropriate.</p>

There were no material adjustments to the audited accounts

25. There were no material adjustments to the unaudited accounts arising from our audit.

Some progress has been made on prior year recommendations

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

Part 2

Financial management and sustainability



Main judgements

The 2019/20 budget was balanced, but relied on planned savings of £3.1 million, of which 60% were not delivered.



The IJB reported a small deficit of £0.07 million in 2019/20, but this was after an additional £2 million deficit funding by partner bodies and the use of £1 million of strategic funds to support core services.

Early indications from 2020/21 are that £0.9 million of savings identified in the recovery plan will not be achieved due to Covid-19.

The IJB now has a medium-term financial plan in place, but this needs to be reviewed to reflect the impact of COVID-19. Latest estimates report that £5.2 million of additional costs will be incurred during 2022/21 due to COVID-19.

The IJB holds no contingency reserves, and a limited amount of earmarked reserves which cannot be relied on to support future deficits.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. Financial sustainability looks forward to the medium and longer term to consider plans

The 2019/20 budget was balanced but relied on planned savings of £3.1 million

27. The IJB approved its 2019/20 budget on 28 March 2019. Budget pressures of £4.1 million were identified which were offset by additional partner funding. A recovery plan was agreed to address the £3.1 million forecasted underlying overspend on core services from 2018/19. The main element of this plan related to slippage against strategic funds (£1.5 million), meaning that the IJB continue to rely on strategic funds to support core services.

Planned 2019/20 savings were not achieved and £1.9 million of targeted savings were moved into 2020/21

28. As the year progressed, the IJB recognised that savings would not be realised and the savings recovery plan was reprofiled, with £1.9 million of savings targets moved to 2020/21. There is some uncertainty over potential savings identified such as prescribing (£0.2 million), the costs of which tend to be more volatile than other areas. In addition, savings of £0.3 million have been identified arising from transformational change. This will depend on the successful implementation of the programme of transformation outlined in the ten-year Strategic Plan.

The IJB reported a deficit of £0.07 million in 2019/20, but this was after £2 million deficit funding by partner bodies and the use of £1 million of strategic funds

29. The year-end outturn was presented to the Board on 25 June 2020. An overspend on core services of £3 million was reported. In-year strategic funds of £1 million were used to support core services together with deficit funding from the partner bodies of £2 million.

Financial monitoring reports accurately forecasted the year-end budget outturn

30. The Quarter 2 and Quarter 3 financial monitoring reports forecast the increasing overspend on core services ([Exhibit 4](#)).

Exhibit 4

Financial monitoring reports and projected budget outturn

	Core budget forecast (over) / underspend (£m)	Strategic Funds forecast (over) / underspend (£m)	Year-end forecast (over) / underspend (£m)
Quarter 2	(1.45)	-	(1.45)
Quarter 3	(3.36)	1.66	(1.70)
Year-end outturn report	(3.04)	0.97	(2.07)
Deficit funding by partners			2.0
Accounts as at 31 March 2020	-	-	(0.07)

Source: Financial monitoring reports taken to the Board and 2019/20 Moray IJB annual accounts

31. Financial monitoring reports are comprehensive and provide the IJB with sufficient detail. However, the reports treat transfers from earmarked reserves as additional in-year funding which is then inconsistent with the presentation in the financial statements and not reconciled in reports. This was included as an audit recommendation in 2018/19 but this has not yet been actioned.

Early indications from 2020/21 are that £0.9 million of savings identified in the recovery plan will not be achieved due to COVID-19

32. The Quarter 1 budget monitoring report for 2020/21 (presented to the Board in September 2020) identified a total overspend to date of £0.1 million. The Quarter 1 report does not provide a forecasted year-end position, but it does provide an update on the achievement of efficiencies identified in the recovery plan. For the period to the end of June 2020, £0.49 million of core budget savings were expected to be realised. However, actual progress against the recovery plan is savings of £0.26 million, mainly attributable to savings arising from transformational change. Latest estimates (see paragraph 39) indicate that £0.9 million of savings will not be achieved in 2020/21 due to COVID-19.

33. The fact that commissioning activity was stood down in March 2020 to support the COVID-19 response has contributed to lower than expected savings being achieved. In addition, prescribing was set to deliver significant savings during 2020/21 as a result of a national reduction in the drug tariff. The COVID-19 pandemic has placed significant pressure on this budget creating uncertainty around this element of efficiency.

34. The Chief Financial Officer has advised that the budget is likely to be subject to revisions as the impact of COVID-19 becomes clearer. A mid-year review of the financial planning assumptions considering the 2019/20 outturn and COVID-19 is currently ongoing and will be reported to a future meeting of the IJB.



Recommendation 1

The IJB's 2020/21 budget should be reviewed to reflect the impact of COVID-19.

The IJB has a medium-term financial plan, but this needs to be reviewed to reflect the impact of COVID-19

35. We have previously recommended that Moray IJB should create a financial plan covering the medium to long-term and the IJB now has a financial framework which covers the five-year period 2019/20 – 2023/24. It outlines the projected funding shortfalls over the period and how these may be addressed. We assessed the framework against the Audit Scotland paper, [Scotland's Public Finances: A Follow-up Audit](#) and we have concluded that it is comprehensive, the assumptions built into the plan are reasonable and the projections are supported by a sensitivity analysis.

36. The IJB's 2019-29 Strategic Plan was approved by the Board in December 2019, having been subject to a four-week stakeholder consultation. The medium-term financial plan supports delivery of the ten-year Strategic Plan and will be reviewed as the Plan progresses.

37. The CFO recognises that both COVID-19 and EU withdrawal present a significant risk to the accuracy of the financial planning assumptions adopted. Some of the uncertainty relating to EU withdrawal includes the impact on supply chains (particularly in relation to prescribing), the labour market and alternatives to EU funding. The financial plan will need to be updated as more information becomes available.



Recommendation 2

The IJB's medium-term financial plan should be reviewed due to the impact of COVID-19 and EU Withdrawal.

Latest estimates report that that additional costs of £5.2 million will be incurred in 2020/21 due to COVID-19

38. In April 2020, the MIJB Chief Officer submitted the initial Mobilisation Plan for Moray to Scottish Government. This formed part of the mobilisation plan for Grampian to be implemented in partnership between NHS Grampian, the three Grampian Integration Authorities and the multi-agency Local Resilience Partnership. The mobilisation plan set out the context, at the time of submission, around delayed discharges, staff absence levels, care home bed capacity and high-level modelling around community and primary care modelling. The plan

included financial estimates with monthly updates provided to the Scottish Government.

39. Latest estimates (as at end of September 2020) report that COVID-19 will result in additional costs of £5.2 million for MIJB in the year to 31 March 2021. In addition, £0.9 million of planned savings will not be achieved. Key areas of projected additional spend include:

- social care sustainability payments - £1.9 million
- delayed discharge - £1 million
- community hub in Elgin - £0.9 million.

40. The Scottish Government has allocated total additional funding of £4.9 million to Moray IJB to date to cover the financial impact of Covid-19. Further funding in relation to unachieved savings is uncertain at this stage.

The IJB holds no contingency reserves, and a limited amount of earmarked reserves which cannot be relied on to support future deficits

41. The balance on Moray IJB's General Fund as at 31 March 2020 is £0.187 million, comprised entirely of earmarked reserves. There is no contingency reserve with which to cushion the future financial impact of unexpected events. The IJB has a reserves policy in place, which was approved by the Board in January 2019. It states that a prudent level of general reserves should represent approximately 2 per cent of net expenditure – this would equate to £2.7 million. This absence of reserves now places even greater importance on financial management, transformation and the achievement of planned savings, as the IJB is no longer able to resort to reserves to cover future deficits.

The partner bodies have sound systems of internal control in place

42. The IJB does not have any financial systems of its own, instead it relies upon the financial systems of the host bodies to record all transactions. The key financial systems which the IJB relies on include general ledger, trade payables, trade receivables and payroll.

43. As part of our audit approach we sought assurances from the external auditor of NHS Grampian and Moray Council (in accordance with ISA 402). Some control weaknesses were identified within NHS Grampian and Moray Council and the auditors undertook additional audit procedures to obtain the assurances required for their audit opinions. No issues were identified from completion of these additional procedures.

The partner bodies have appropriate arrangements in place for the prevention and detection of fraud and error

44. The IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its partner bodies. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. The IJB uses the financial systems of NHS Grampian and Moray Council and so anti-fraud arrangements are the responsibility of these organisations. We have received assurances from the auditors of NHS Grampian and Moray Council (in accordance with ISA 402) and have no issues to bring to your attention.

Part 3

Governance, transparency and best value



Main judgements

Governance arrangements are appropriate. These were adapted in response to COVID-19.



A ten-year Strategic Plan was approved by the Board in December 2019.

There have been recent changes to the IJB's Board and senior management.

The IJB has effective arrangements in place for monitoring performance, but this and national reporting has been disrupted by COVID-19.

The IJB still needs to develop arrangements to demonstrate how it secures best value.

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. Best Value is concerned with using resources effectively and continually improving services.

Governance arrangements are appropriate

45. The IJB is supported by an Audit, Performance and Risk Committee. The integration scheme sets out the governance arrangements for membership of the IJB. Our observations at committee meetings throughout the year has found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

46. Full details of the meetings held by the IJB are available on the Moray IJB website. Committee papers and minutes of meetings are publicly available, and members of the public are permitted to attend and observe meetings. Public notice of each meeting is given on the council's website.

Governance arrangements were adapted in response to COVID-19

47. The impact of Covid-19 on governance arrangements from March 2020 has been set out in the governance statement that forms part of the IJB's annual accounts. The following adjustments were made to normal arrangements:

- the IJB and Audit, Performance and Risk Committee meetings were held virtually from March 2020 and so public access was restricted. This was essential to protect public health and comply with physical distancing guidelines. Agendas, papers and minutes continued to be made available on the IJB website
- meetings of the IJB continued in line with the original timetable. Meetings of the Audit, Performance and Risk Committee were impacted, with the February and June 2020 meetings being cancelled. Papers for the June 2020 meeting were circulated to members for scrutiny, with questions and answers submitted via e-mail

- meeting agendas were restricted to core business (decision making) to minimise the impact on officers' time, allowing them to focus on critical business
- delegated authority was granted to the Chief Officer to take decisions which would normally require Board approval. This authority was revoked in September 2020 as the Board concluded that its new governance arrangements were suitably established.

48. Overall, the changes to governance arrangements were reasonable and no specific risks have been identified.

The IJB has developed a ten-year Strategic Plan

49. Moray IJB has developed a ten-year Strategic Plan covering the period 2019-2029 which was approved by the Board in October 2019. It was developed in conjunction with a suite of supporting documents which include the medium-term financial framework, transformation programme, and workforce plan. A four-week public consultation was conducted prior to publication – this was largely positive with 71% of respondents fully supporting the strategy.

50. To inform the Plan, a Strategic Needs Assessment was carried out in 2018 to gather intelligence about the key health and social care needs in the area. Key areas for focus were identified which included the fact that there is a significant military / veteran population in Moray, representing unique health and social care challenges, and a growing proportion of the Moray population suffer from multi-morbidity.

51. The Strategic Plan identifies three key themes:

- **Building resilience** - this focuses on building resilience among service users such as through prioritisation of early intervention and encouraging individuals to take personal responsibility for their own health.
- **HomeFirst** - this encourages being supported at home or in a homely setting for as long as possible, prioritising this over hospital admissions where appropriate.
- **Partners in Care** - this encourages more extensive stakeholder engagement, allowing service users to have more control over the care, for example by supporting people in their preference for palliative care.

52. Our review of the Strategic Plan concluded that it was comprehensive and identifies the key challenges facing the IJB over the next ten years. However, as outlined in paragraph 37, the Plan and its supporting frameworks will now need to be reviewed to take account of the effect of COVID-19.

The IJB's board and senior management has experienced recent changes

53. The Chief Officer of the IJB, was seconded to NHS Highland to take up the post of Interim Deputy Chief Executive in April 2020, and a new Interim Chief Officer was appointed.

54. The positions of Chair and Vice-Chair of the Board were rotated in October 2019, but in October 2020 the chair resigned from the IJB and a new Chair has been appointed from NHS Grampian.

Registers of interest on the Moray IJB website are not kept up to date

55. An exercise was conducted at the end of the financial year to update the registers of interest for voting, non-voting and co-opted members. However, these were not updated by all members, and in some instances an email update was provided in the place of a completed declaration.

56. The Chief Financial Officer has advised that responsibility for maintaining registers of interest will pass from Moray Council's committee services to the IJB which should rectify this issue for 2020/21.

The IJB has effective arrangements in place for monitoring performance, but this has been disrupted by COVID-19

57. The Audit, Performance and Risk Committee usually receive quarterly performance updates. Due to changes in reporting arrangements arising from COVID-19, Quarter 3 and 4 were presented to the Board instead. The quarterly reports were presented to the IJB considerably after the reporting period they relate to. The Quarter 3 performance report (covering the period to December 2019) was considered by the Board in May 2020 while the Quarter 4 report (covering the period to March 2020) was considered by the Board in June 2020.

58. The quarterly performance reporting arrangements were reviewed in May 2020. Performance is still measured using a RAG (red / amber / green) system, but the previous 17 local indicators have been reassessed to ensure they are aligned to the new Strategic Plan. There are now 14 local indicators.

59. The Quarter 4 performance report showed five of the indicators as being green, one amber, three red, and five have no available data due to temporary re-allocation of resources as a result of the COVID-19 pandemic. The three red indicators relate to:

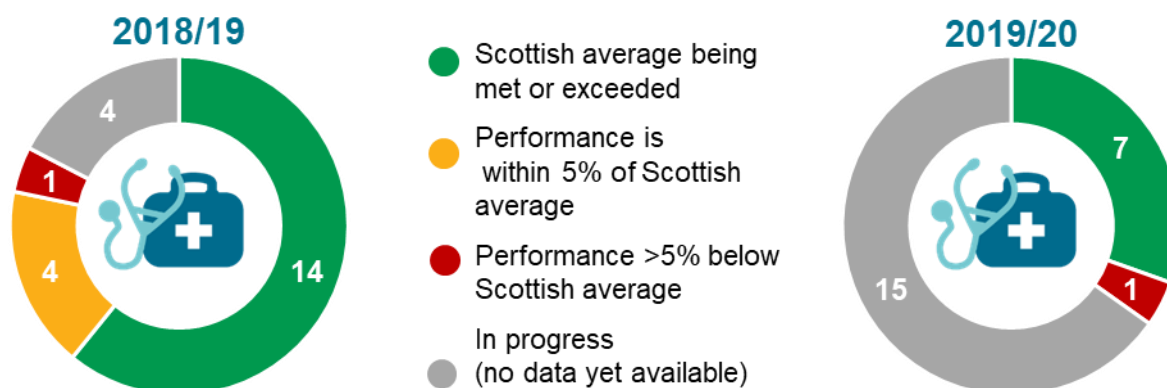
- number of delayed discharges at the end of the quarter
- number of bed days occupied by delayed discharges per quarter per 1000 (18+ population)
- percentage of patients commencing Psychological Therapy Treatment within 18 weeks of referral

Moray IJB appears to be performing well against national performance indicators, but national data is incomplete due to COVID-19

60. [Exhibit 5](#) shows the IJB's performance against the Scottish Government core suite of integration indicators relative to the average performance of other integration authorities in Scotland. Moray IJB appears to be performing well against national performance indicators but national data is incomplete due to COVID-19.

Exhibit 5

Performance against national indicators



Source: Moray IJB performance reports

Note: Current data is not available for several indicators as a result of Scottish Government staff redeployment for COVID-19 work. Public Health Scotland also advised integration authorities to base 2019/20 performance on the 2019 calendar year for most indicators.

Improvements are required to the arrangements in place for securing best value

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

62. The Best Value Assurance Report for Moray Council was published in August 2020 and despite urgent improvements to council services being required, the report concluded that the IJB performs well despite the financial challenges it faces.

63. Moray IJB clearly recognise the importance of securing best value, with this being highlighted in their ten-year Strategic Plan. However, the self-evaluation exercise submitted to the Board in June 2019 underlined the need to '*develop better processes to evaluate and measure outcomes in line with Best Value*'. There have been no progress updates on implementation of the recommendations in the self-evaluation presented to the Board. The IJB should monitor progress against the recommendations to ensure best value is being secured.



Recommendation 3

The IJB should develop its own assessment of Best Value.

The annual performance report is moving towards locality reporting

64. The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report and publish this within four months of the year end. Due to the COVID-19 disruption the Scottish Government extended the publication deadline and Moray IJB published their annual performance report on 12 August 2020.

65. We have previously recommended that the annual performance report should analyse financial performance by locality. Our review of the report confirmed that this has still not been implemented. However, a recently implemented management structure has secured four Locality Managers who are all now in post and work is underway to align budget responsibility to locality areas.

National performance audit reports

66. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published some reports which may be of direct interest to the IJB as outlined in [Appendix 3](#).

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>2020/21 budget</p> <p>The 2020/21 budget was balanced but this relies on the delivery of £1.9 million in savings. Significant revisions to the budget may be required due to the financial impact of COVID-19.</p> <p>Risk: the budget is unachievable without further identified savings.</p>	<p>The 2020/21 budget should be reviewed to reflect the impact of COVID-19.</p>	<p>The budget is under continuous review, together with the impact of non-deliverable savings. The forecast position to the end of the 2020/21 financial year is showing an estimated overspend of £0.3 million which is being closely monitored with a view to budget realignment that will be required for 2021/22.</p> <p>Responsible officer: Chief Officer / Chief Financial Officer</p> <p>Target completion date: Continuing throughout 2020/21</p>
2	<p>Medium-term financial plan</p> <p>The IJB now has a medium-term financial plan that spans the period 2019/20 to 2023/24 but this will need to be updated to reflect the impact of COVID-19 and EU withdrawal.</p> <p>Risk: the financial planning assumptions in the medium-term plan may now be inaccurate.</p>	<p>The IJB's medium-term financial plan should be reviewed due to the impact of Covid-19 and EU withdrawal.</p>	<p>The medium-term financial plan will be reviewed as part of the 2021/22 budget setting process</p> <p>Responsible officer: Chief Officer / Chief Financial Officer</p> <p>Target completion date: 31 March 2021</p>
3	<p>Self-evaluation exercise</p> <p>A self-evaluation exercise was undertaken and presented to the Board in June 2019. It included 11 areas for improvement, including the need to '<i>develop better processes to evaluate and measure outcomes in line with Best Value</i>'. There has been no update provided to the Board on the progress against implementing these areas for improvement.</p>	<p>The IJB should develop its own assessment of Best Value.</p>	<p>The response to the Covid pandemic has delayed attention to this. There will be the opportunity to refocus attention on this, starting with a planned development session for the IJB early in 2021, which would only be delayed again because of a Covid response or particular winter pressures.</p> <p>Responsible officer: Chief Officer</p> <p>Target completion date: 31 March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk: the IJB is unable to demonstrate how it delivers Best Value.</p>		
c/f 4	<p>Financial monitoring reports</p> <p>The financial monitoring reports treat transfers from reserves as additional in-year funding. This is inconsistent with the presentation in the financial statements.</p> <p>Risk: the financial position of the IJB is unclear.</p>	<p>Financial monitoring reports should be reviewed to ensure that the outturn clearly reflects the expected position in the financial statements or includes a reconciliation should be provided which ensures reserves are not treated as in-year income.</p>	<p>Monitoring reports will be updated to reflect this recommendation.</p> <p>Responsible officer: Chief Officer</p> <p>Target completion date: 31 March 2021</p>
c/f 5	<p>Registers of interest</p> <p>All voting, non-voting and co-opted members are required to complete and update their register of interests. Our review of the registers of interest available on the IJB's website noted that these are still not all up to date.</p> <p>Risk the IJB is failing to keep an up to date register of interests.</p>	<p>All voting, non-voting and co-opted members should update their registers of interest at least annually and these should be made available on the IJB's website.</p>	<p>An amended process has been introduced to address this situation.</p> <p>Responsible officer: Chief Officer</p> <p>Target completion date: 31 March 2021</p>
Follow up of prior year recommendations			
6	<p>Financial monitoring reports</p>	<p>The financial monitoring reports should be reviewed to ensure that the outturn clearly reflects the expected position in the financial statements</p>	<p>Outstanding – refer to point 4</p> <p>The 2019/20 financial monitoring reports continue to treat transfers from reserves as additional in-year funding.</p>
7	<p>Medium- and long-term financial planning</p>	<p>A long-term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be prepared. This is increasingly important as demand pressures increase, financial settlements continue to reduce, and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).</p>	<p>Complete</p> <p>The IJB now has a ten-year Strategic Plan in place, supported by a five-year financial framework which includes detailed scenario planning. This will need to be updated to reflect the impact of COVID-19 and EU withdrawal – refer to point 2 above.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
8	Registers of interest	All voting, non-voting and co-opted members should update their registers of interest at least annually and these should be made available on the IJB's website.	Outstanding – refer to point 5 The registers of interest available on the IJB's website are still not all up to date.
9	Annual Performance Report	<p>The annual performance report should be published in accordance with the timescale as set out in the 2014 regulations.</p> <p>The contents of the annual performance report should be improved to include information about financial performance analysed by locality.</p>	Complete The reporting deadline for the annual performance report was extended by the Scottish Government due to COVID-19. The IJB's report was published on 12 August 2020. Financial performance is still not analysed by locality in the annual performance report.

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Management override of controls Auditing Standards require that audits are planned to consider the risk of material misstatement caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of management override of controls to change the position disclosed in the financial statements.	Assurance from partner body auditors on the accuracy and completeness of year-end financial reports. Check accuracy and completeness of the consolidation of financial reports from partners. Detailed testing of significant adjustments at year end. Review financial monitoring reports during the year.	The partner body auditors provided assurances on the accuracy and completeness of the financial reports used to prepare the accounts. We agreed the consolidation schedule to financial reports from partners and no issues were identified. We tested significant year-end adjustments and no issues were identified. The financial position was supported by reporting during the year. Conclusion: we did not identify any incidents of management override of controls
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
2 Risk to financial sustainability Recent financial monitoring reports forecast a £1.7 million overspend (after application of strategic funds and ring-fenced reserves) for 2019/20 which will require to be funded by partner bodies. A shortfall of £1 million in savings set out in the financial recovery plan agreed in November 2018 has contributed to this overspend. There is a risk that the recovery plan's savings are not achievable and that without any reserves to fall back on the current service is not financially sustainable.	Review the newly developed 10-year Strategic Plan and associated medium-term financial framework for reasonableness. Review financial monitoring reports during the year, and progress against the recovery plan. Consider the 2020/21 revenue budget and plans to address any funding gap which may arise.	The financial assumptions built into the medium-term financial framework were judged to be reasonable, but it now needs to be updated to reflect the financial impact of Covid-19 and EU Withdrawal. We made a recommendation to complete this in Appendix 1 . Budgetary control was robust throughout 2019/20, with only minor disruptions to reporting arising from Covid-19. Savings identified in the recovery plan were not fully achieved due to the impact of Covid-19 – slippage against strategic funds continues to constitute a significant proportion of projected savings, meaning that this is being used to

Audit risk	Assurance procedure	Results and conclusions
<p>In previous years we have recommended that a long-term financial strategy (5 years +) should be prepared. In October 2019, the IJB agreed a medium term (3-5 years) financial framework to support the new Strategic Plan.</p> <p>There is a risk that the underlying assumptions in the financial framework are not reasonable, and that the IJB is not able to adequately respond to financial risks as they arise.</p>		<p>support core services rather than fund strategic change.</p> <p>A budget was agreed for 2020/21, but successful achievement of this is dependent on realising £1.9 million of savings. There is significant uncertainty over the achievement of some of these savings as the financial impact of Covid-19 takes effect. We made a recommendation to complete this in Appendix 1.</p> <p>Conclusion: the short-term financial sustainability of the IJB is uncertain based on savings targets, planned use of strategic funds to support core services and relatively low levels of reserves</p>
<p>3 Risk to effective financial management</p> <p>Last year we reported that the financial monitoring reports treat transfers from reserves as additional in-year funding which makes it difficult to reconcile the projected outturn position with the disclosures made in the financial statements. There is a risk that financial pressures are not identified and managed in a timely manner if the financial position reported throughout the year does not reflect the expected position in the financial statements.</p>	<p>Review financial monitoring during the year and report progress against the 2018/19 audit recommendation.</p>	<p>The IJB benefits from a robust financial monitoring process, but financial reports continue to treat transfers from reserves as additional in-year funding.</p> <p>Limited progress has been made against audit recommendations from prior years. We made a further recommendation to complete this in Appendix 1.</p> <p>Conclusion: the IJB has an effective financial monitoring process in place but needs to improve how funding from reserves is reflected in monitoring reports.</p>

Appendix 3

Summary of national performance reports 2019/20



		Apr	
Social security: Implementing the devolved powers		May	
Scotland's colleges 2019		Jun	Enabling digital government
		Jul	
NHS workforce planning - part 2		Aug	
Finances of Scottish universities		Sept	
NHS in Scotland 2019		Oct	
		Nov	
Local government in Scotland: Financial overview 2018/19		Dec	
Scotland's City Region and Growth Deals		Jan	Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
		Feb	
		Mar	Early learning and childcare: follow-up

Moray Integration Joint Board

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