

**Integration Joint Board**

**Agenda item: 7**

**Date of Meeting: 24 November 2021**

**Title of Report: Audited Annual Accounts 2020-21**

**Presented by: James Gow, Head of Finance and Transformation**

**The Integration Joint Board is asked to:**

- **Note** that Audit Scotland have completed their audit of the annual accounts for 2020-21 and have issued an unqualified Independent Auditor's Report.
- **Consider** the 2020/21 Annual Audit Report prepared by Audit Scotland and the management responses to the recommendations.
- **Approve** the draft Letter of Management Representation to Audit Scotland.
- **Approve** the Audited Accounts for signature and publication.

**1. EXECUTIVE SUMMARY**

- 1.1 The Integration Joint Board is required to produce a set of audited annual accounts for 2020-21. These accounts were produced within the revised extended timescale and have been subject to independent audit by the external auditors, Audit Scotland. The audit process has been completed and Audit Scotland have issued an unqualified report. The Accounts, Audit Report and Letter of Representation have all been considered by the Audit and Risk Committee at its meeting on the 10<sup>th</sup> November.
- 1.2 The purpose of this report is to enable the Integration Joint Board to review and approve the Annual Report and Accounts. The Annual Accounts are provided as Appendix 1. These are prepared in line with current guidance and provide detail in respect of financial performance, governance arrangements and the independent external audit report. These require to be signed by the Chair, Chief Officer and the Head of Finance and Transformation.
- 1.3 In respect of financial performance, the year-end position was an overall underspend of £1.1m. This was repaid to Argyll and Bute Council, in line with the Scheme of Integration to reduce the liability the IJB has to the Council in respect of previous overspending. The repayment is reflected in the Comprehensive Income and Expenditure Statement. The IJB ended the year with £6.6m shown as assets in the Balance Sheet. This relates to a range of earmarked balances held in respect of specific grants, this balance is held by Argyll and Bute Council and Highland Health Board and is reported as a debtor balance.

- 1.4 In addition to the audit report contained within the Annual Accounts, Audit Scotland have also prepared a more detailed Annual Audit Report (Appendix 2). This will also be made publicly available. Whilst the Annual Audit Report makes no recommendations for improvement in terms of accounting and financial reporting, there are a number of key messages in respect of the wider context within which the IJB is operating, its financial sustainability and risks in respect of workforce and performance reporting. In particular the report highlights the on-going challenge in delivering the savings targets, operating on a financially sustainable basis and repaying past overspending to Argyll and Bute Council. The report contains the management responses to the recommendations made by Audit Scotland.

## **2. INTRODUCTION**

- 2.1 The Integration Joint Board is required to produce an audited set of annual accounts for 2020-21. The unaudited accounts for the year were produced in line with the agreed timetable and statutory timescales and approved by the Audit & Risk Committee on 29 June 2021 for submission to external audit. The audited accounts and associated audit reports were considered by the Audit and Risk Committee at its meeting on 10<sup>th</sup> November. The audited accounts now require to be approved by the Integration Joint Board prior to 30 November 2021, the normal deadline has been extended.

## **3. DETAIL OF REPORT**

- 3.1 The Integration Joint Board was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a section 106 body as defined in the Local Government (Scotland) Act 1973. The financial statements are therefore prepared in compliance with the Code of Practice on Local Authorities Accounting in the United Kingdom 2020-21 supported by International Financial Reporting Standards (IFRS) unless legislation or statutory guidance requires different treatment.
- 3.2 The Annual Accounts have been subject to independent audit by Audit Scotland and some minor changes have been made in respect of the disclosures and narrative contained within the report. There were no changes to the financial figures and Audit Scotland have made no recommendations for improvement in respect of accounting and financial reporting. It is recognised that IJB is highly dependent upon both partners in respect of financial accounting processes and systems. The Audited Annual Accounts for 2020-21 are included as Appendix 1, this incorporates the Independent Auditors Report.
- 3.3 Audit Scotland are able to conclude that that Integration Joint Board's accounts present a true and fair view of the financial performance of the IJB during 2020/21. The Independent Auditors Report provides further information on the audit process and the basis of the audit opinion.
- 3.4 Additionally Audit Scotland have prepared an Annual Audit Report for consideration by the IJB. This indicates that the auditors are content with financial accounting and reporting and concludes that governance and arrangements for securing value for money were likewise appropriate during the year. Whilst the report makes no recommendations for improvement in respect of financial stewardship or reporting, it does make a number of

recommendations in respect of the wider operating environment and the financial sustainability challenge currently faced by the HSCP. The recommendations and the management responses are included in the Audit Scotland report and relate to:

- Financial Sustainability;
- Turnover within the senior leadership team; and
- Performance Reporting.

Additionally, the report provides an update in respect of a previously made recommendation relating to workforce planning. Audit Scotland will make this report publicly available in due course. This report is provided as appendix 2.

- 3.5 The IJB is asked to approve the draft letter of management representation (Appendix 3) and to approve the accounts for signature. This will ensure that the Audited Annual Accounts are available for publication within the revised timescales, these were extended to provide some additional flexibility as public services continue to manage the impact of covid.

#### **4. RELEVANT DATA AND INDICATORS**

- 4.1 Information contained within the accounts is derived from the financial systems of NHS Highland and Argyll and Bute Council. The audit of the IJB accounts is supported by the audits of both partners.

#### **5 CONTRIBUTION TO STRATEGIC PRIORITIES**

- 5.1 The annual accounts are a key statutory reporting and accountability requirement. They communicate both financial and key service delivery performance information in an accessible public document.

#### **6. GOVERNANCE IMPLICATIONS**

- 6.1 Financial Impact - The Integration Joint Board is required to consider and approve the Audited Annual Accounts for 2019-20 by 30<sup>th</sup> November 2021. The Annual Accounts provide a detailed narrative and make a number of disclosures in respect of governance arrangements. The Annual Audit reports provides important independent assurance to the IJB in respect of financial management and governance.

- 6.2 Staff Governance – None

- 6.3 Clinical Governance - None

#### **7. EQUALITY & DIVERSITY IMPLICATIONS**

- 7.1 None

#### **8. GENERAL DATA PROTECTION PRINCIPLES COMPLIANCE**

- 8.1 One data breach has been disclosed in the accounts.

## 9. RISK ASSESSMENT

9.1 There are no changes to the risk register arising from the contents of this report.

## 10. PUBLIC & USER INVOLVEMENT & ENGAGEMENT

10.1 The unaudited annual accounts were made publicly available, there were no objections noted from the public inspection. The audited accounts will be made publicly available as soon as they are signed and approved for issue.

## 11. CONCLUSIONS

11.1 The Audited Annual Accounts for 2020-21 require to be approved by the IJB by 30 November. These were audited by Audit Scotland, the IJB external auditors, and an unqualified independent auditors report has been received. There were a small number of changes required to the unaudited accounts as part of the audit process and these were presentational in nature. The accounts report that the IJB operated within budget during the year and that its governance arrangements were appropriate. The Audit report provides the Board with independent assurance in respect of financial management and governance.

## 12. DIRECTIONS

Directions required to Council, NHS Board or both.	Directions to:	tick
	No Directions required	√
	Argyll & Bute Council	
	NHS Highland Health Board	
	Argyll & Bute Council and NHS Highland Health Board	

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### APPENDICES:

Appendix 1: Audited Annual Accounts 2020-21 and Audit Report

Appendix 2: Audit Scotland Annual Audit Report

Appendix 3: Draft letter of Management Representation to Audit Scotland