

## Final report to the Aberdeenshire Integration Joint Board and the Controller of Audit on the 2015/16 audit



31 August 2016

the  
Distinctive  
audit

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## Our final report

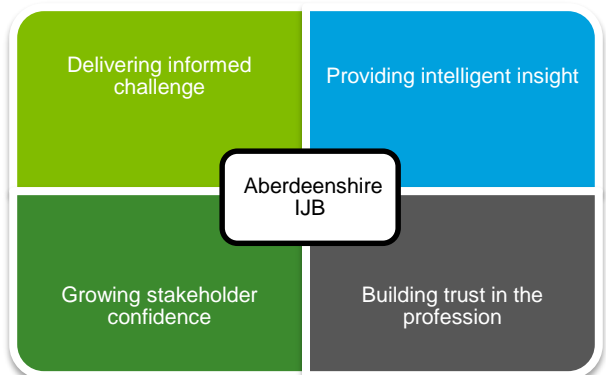
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## An overview of our audit plan:

- Materiality: £1,250.
- Performance Materiality: £1,125.
- Threshold for reporting misstatements: £63.
- Significant risks over revenue recognition and management override of controls.
- **Fully substantive audit** - We have not placed any reliance on internal controls and our audit work was fully substantive. We assessed the design and implementation of controls as part of our planning procedures, to assess the sufficiency of the control environment governing the production of financial information.



# Partner introduction

# Partner introduction

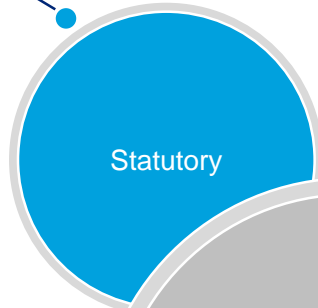
## Overview of responsibilities

I have pleasure in presenting our final report to the Board for the 2015/16 audit.

We have early adopted the requirements of the new Code of Audit Practice which comes into force for the 2016/17 audits. A summary of the requirements is set out below.

### Financial Statements

Provide an opinion on the financial statements and the regularity of transactions.



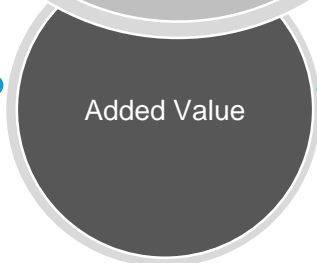
### Annual Reports

Review and report on the other information such as annual governance statement, management commentaries, remuneration reports.



### Public reporting

Audit plans, the principal audit outputs arising from audit plans and any other outputs on matters of public interest will be published on Audit Scotland's website.



### Public Sector audit dimensions

Wider scope reporting covering financial sustainability, financial management, governance & transparency and value for money.

Audit quality is our number one priority. When planning our audit we set the following audit quality objectives:

**A robust challenge of the key judgements taken in the preparation of the financial statements.**

**A strong understanding of your internal control environment.**

**A well planned and delivered audit that raises findings early with those charged with governance.**

# Partner introduction (continued)

## Financial statement audit and annual report

### Financial statements audit

#### Conclusions from our testing

- The key judgements and areas of audit focus in the audit process related to:
  - Revenue recognition
  - Management override of controls
- A summary of our work on the significant financial statements risks is provided in the dashboard on page 6.
- We have identified no misstatements during the current period audit.
- Based on the current status of our audit work, we anticipate issuing an unmodified audit opinion.

#### Insight

- We have recommended that a separate coding structure is set up within the Council's ledger system to ensure that going forward the Integrated Joint Board's (IJB's) transactions are easily distinguishable from the Council's and to provide a clear audit trail for future years as the Board becomes operational.
- We have also recommended that as part of developing future years budgets the IJB should consider applying an analysis of early intervention programmes to help identify how best to target its work on interventions and to deliver better outcomes from the new pooled budgets.

#### Status of the audit

- The audit is substantially complete subject to the completion of the following matters:
  - Finalisation of quality control procedures;
  - Receipt of signed management representation letter; and
  - Our review of events since 31 March 2016.

### Annual report

#### Overall conclusion

- We have read the Management Commentary in full in order to assess whether it is in line with our understanding of the Board and complies with the 2014 Regulations. No exceptions noted.
- The format and content of the Governance Statement is consistent with the requirements of the Code and concludes that reasonable assurance can be placed on the adequacy and effectiveness of the Board's Internal Control System in the period to 31 March 2016. We recommended a number of changes to the draft statement to clearly distinguish between the development of governance arrangements in the shadow year and plans for 2016/17 which have been updated in the revised draft financial statements;
- We are satisfied that the remuneration report has been prepared in accordance with the regulations and is consistent with the findings of our audit.

# Partner introduction (continued)

## Significant financial statements risk dashboard

Fraud risk	Controls approach and findings	Consistency of judgements with Deloitte expectations	Comment
Revenue recognition			
✓	Evaluate design / implementation of key controls. No controls reliance. No significant observations.	●	We have confirmed that the revenue recognised represents the contributions agreed by the respective partners to cover the costs in this transitional period.
Management override of controls			
✓	Evaluate design / implementation of key controls. No controls reliance. No significant observations.	●	<p>No journal entries have been processed within the ledger for the IJB given it is a shadow year. We recommend that a separate coding structure is set up within the Council's ledger system to ensure that going forward the IJBs transactions are easily distinguishable from the Council's.</p> <p>We have tested 100% of the transactions in the period and are therefore satisfied that there are no unusual transactions outside the normal course of business.</p> <p>We have confirmed that the Transitional Leadership Group met throughout 2015/16 and reviewed performance as it prepared for delegation from 1 April 2016.</p>

Overly prudent, likely to lead to future credit      Overly optimistic, likely to lead to future debit.

# Partner introduction (continued)

## Public sector audit dimensions

We have commented below on the public sector audit dimensions with regard to the IJB:

### Financial management

During the period, the Board received income of £25,000 and incurred expenditure of £25,000 in relation to the Chief Officer's salary and audit fees covering the period from 6 February 2016 to 31 March 2016. This was in line with budget. The Board has no reserves at the start or end of the reporting period.

As part of the shadow year operations the Transitional Leadership Group (TLG) and Board monitored the financial position of the services that will come under their direct control from 1 April 2016. The final outturn reported an overspend of £5.3 million against a budget of £250 million. Each of the partner bodies accounted for the overspend within their overall financial position for 2015/16.

### Financial sustainability

Financial sustainability will be one of the most significant challenges and risks for IJB and the wider public sector.

A budget for those services that are to be delegated according to the legislation for 2016/17 was approved by the Board on 16 March 2016, comprising £263 million revenue budget and a budget of £26 million set aside budget for hospital services.

Given the position in 2015/16, the Board has acknowledged that it expects that it will need to rely on slippage against planned investments from the Integrated Care Fund and Delayed Discharge funding to support the achievement of a balanced financial position in 2016/17. However, this is not a sustainable method of achieving financial balance in the medium to long term. More focus must be given to using the opportunities provided by Health & Social Care to develop redesigned services which will improve quality, remove duplication and provide efficiencies to support the financial position of the IJB.

### Governance and transparency

The Aberdeenshire IJB of Aberdeenshire Health and Social Care Partnership (Partnership) was established as a Body Corporate by Scottish Ministers on 6 February 2016. The Transitional Leadership Group (being the shadow IJB) met on a regular basis during 2015/16 prior to the IJB being formally established in February 2016.

During the period a significant amount of work took place to appoint key officers, develop a due diligence process, develop plans and governance arrangements for the delivery of integrated services.

### Value for money

The Partnership has prepared a Strategic Plan for 2016-2019 which describes how it intends to improve the health and wellbeing of adults in Aberdeenshire through the design and delivery of integrated health and social care services. A monitoring framework which maps financial funding, core indicators and key actions/ projects has also been set up to oversee and evaluate progress of the Strategic Plan.

**Jim Boyle**  
Audit Partner

# Scope, nature and extent of audit



# Scope, nature and extent of audit

Our overall responsibility as external auditor of IJB is to undertake our audit in accordance with the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.

The special accountabilities that attach to the conduct of public business, and the use of public money, means that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements and associated documents such as governance statements, but providing a view also, where appropriate, on matters such as regularity (or legality), propriety, performance and use of resources in accordance with the principles of Best Value and 'value for money'.

Our core audit work as defined by Audit Scotland comprises:

- Providing the Independent Auditor's Report on the financial statements;
- Providing the annual report on the audit to the Board and the Controller of Audit;
- Communicating audit plans to those charged with governance; and
- Identifying significant matters arising from the audit, alert Audit Scotland accordingly and supporting Audit Scotland in producing statutory reports as required.

In accordance with paragraph 5 of the Code, due to the small size and nature of the Board, no formal audit plan was reported to those charged with governance. Our planning work was completed and fully discussed with key officers from the Board.

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The Board is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

# Significant risks

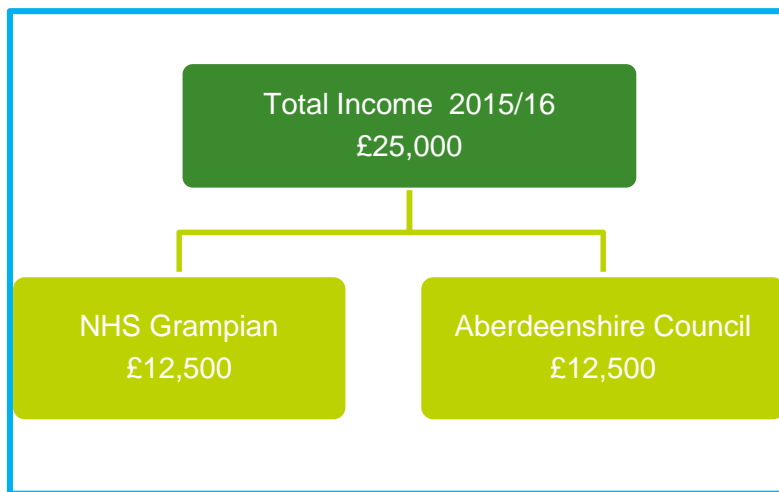
# Significant risk

## Revenue Recognition

### Nature of Risk

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

For the Board we have considered this risk to be around the completeness of income from the respective partners. Given this was a shadow year, with functions not transferring to the Board until 1 April 2016, the income (and associated expenditure) for the Board was limited to the Chief Officer's salary and the audit fee, both of which were funded equally by the respective partners.



### Key judgements

As the requisitions from the partner organisations are agreed as part of funding arrangements, there is very little judgement by management in recognising the income in the accounts.

### Deloitte response

We have reviewed the treatment of income in the period to consider whether it is in line with IFRS guidance and the Code.

### Deloitte view

No issues noted from our review of the treatment of income in the period, which has been accounted for in line with the Code.

# Significant risk

## Management override of controls

### Risk Identified

International Standards on Auditing require auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor.

This recognises that management within Aberdeenshire Council acting on behalf of the Board is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The risk of management override of control is present in all entities.

This risk cannot be pinpointed to an account balance or potential error and therefore specific procedures to respond to the risk of management override of controls should be designed and performed.

### Audit approach

Our audit work is designed to test for instances of management override of controls. We have summarised above our work on key estimates around revenue recognition and note that there have been no significant one-off or unusual transactions in the period.

### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- As this is a shadow year with only five transactions reported within the accounts, there is very little scope for management judgement in preparing the accounts;
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

#### Journals

As this is a shadow year prior to going live from 1 April 2016, there are effectively only five transactions in the year which we have tested 100% and confirmed through our review of "shadow" board minutes during 2015/16 and from our separate audits of Aberdeenshire Council and NHS Grampian audits. We are therefore satisfied that there are no unusual transactions outside the normal course of business.

#### Accounting estimates

We did not identify any significant accounting estimates included within the accounts.

#### Significant transactions

We did not identify any significant transactions outside the normal course of business or transactions where the business rationale was not clear.

### Deloitte view

We have not identified any significant bias in the key judgements made by management.

# Public sector audit dimensions

# Financial management

**Financial management** is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

## Revenue expenditure

The health and social care functions were not formally delegated to the IJB until 1 April 2016, therefore 2015/16 was a “shadow year” to allow the IJB to implement the necessary preparations for local implementation of integrated health and social care services.

A breakeven position was achieved for the period to 31 March 2016, with budgeted income and expenditure of £25,000 in relation to the Chief Officer’s salary and audit fee covering the period from 6 February 2016 to 31 March 2016 as illustrated below:

	2015/16 Gross Expenditure £'000	2015/16 Income £'000	2015/16 Net Expenditure £'000
Corporate Services	25	(25)	-
<b>Deficit on Provision of Services</b>	<b>25</b>	<b>(25)</b>	<b>-</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>25</b>	<b>(25)</b>	<b>-</b>

During the year, the TLG monitored the budgets of the services that will come under their direct control from 1 April 2016 to allow the IJB to better appreciate the financial risks and opportunities inherent in the budgets that would formally transfer to the IJB from 1 April 2016. The final outturn for 2015/16 reported an overspend of £5.3 million against a budget of £250 million. Each of the partner bodies accounted for the overspend within their overall financial position for 2015/16. The main reasons for the overspend were as follows:

- An overspend on nursing costs of £1.156 million with bank nursing costs running significantly in excess of budget levels;
- A cost reduction target of £1.7 million not being met;
- An overspend of £1.2 million in adult services (learning disabilities); and
- An overspend of £2.2 million in older peoples care management.

The above were supplemented by over and underspends in other areas.

While the financial risks of these overspends were borne by the partner organisations in in 2015/16, this will not be the case for 2016/17 where the IJB will be expected to prioritise services within the budget allocated to it by the Council and the NHS.

## Deloitte conclusion

We are satisfied that sound budgetary processes are in place, with actual expenditure against budget monitored by the Board throughout the period.

# Financial sustainability

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

## Financial Outlook

Budgets for those services that are required to be delegated according to the legislation were approved by the Board on 16 March 2016. The assumptions underlying the budgets have been discussed and agreed with the Chief Officer, the s95 officer and the partner bodies.

Work is being progressed to develop future year budgets in consultation with partner bodies.

A due diligence exercise will be carried out at the end of the 2016/17 financial year to assess the adequacy of the payment made in the first year for delegated functions and to inform the budget for future years. The use of analytics to better align the respective budgets of the local government and health partners to targeted outcomes is an area that has potential scope for further work as the partnerships develop.

2016/17 Approved Budget	£m
Core Services	58.501
Hosted Services	7.129
Primary Care	33.702
Prescribing	41.881
Community Mental Health	6.547
Social Care Funding	9.500
Funds	4.914
Criminal Justice	0.033
Learning Disabilities	30.865
Mental Health	4.088
Substance Misuse	1.581
Care Management	34.001
Other Older People Services	30.492
<b>Total Directly Controlled Budget</b>	<b>263.234</b>
“Set Aside” budget for Hospital Services	26.665

## Deloitte conclusion

We have confirmed that a budget has been approved for 2016/17 and work is progressing to developing future year budgets with partner bodies.

Given the position in 2015/16, the Board has acknowledged that it expects that it will need to rely on slippage against planned investments from the Integrated Care Fund and Delayed Discharge funding to support the achievement of a balanced financial position in 2016/17. However, this is not a sustainable method of achieving financial balance in the medium to long term. More focus must be given to using the opportunities provided by Health & Social Care Integration to develop redesigned services which will improve quality, remove duplication and provide efficiencies to support the financial position of the IJB.

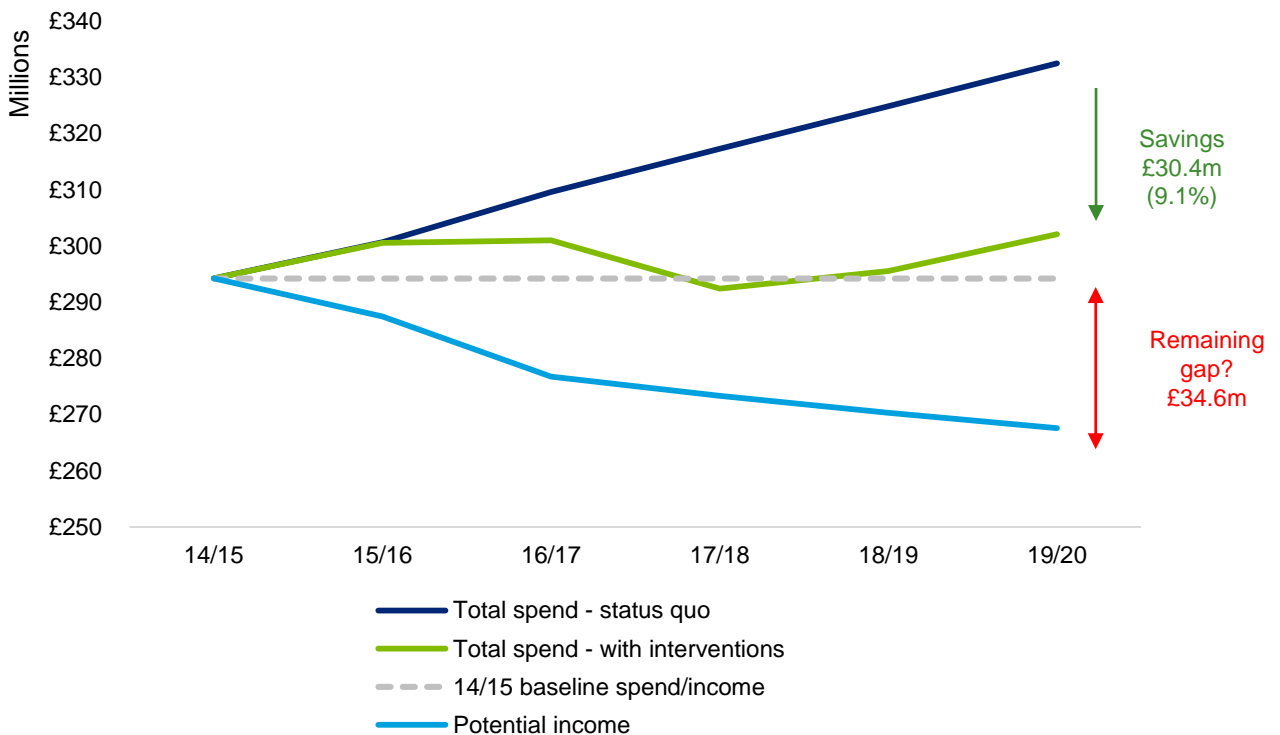
An example case study has been provided on page 16 which demonstrate an approach to help identify how best to target work on interventions.

# Financial sustainability (continued)

## Case Study – Early Intervention

Deloitte has been involved in work in England and carried out a case study on an organisation which had an early intervention programme and assisted living service within local communities due to go live in 2015/16. We estimated the benefits that might be possible from the programme, looking forward at the financial position on a “do nothing” baseline and then applying assumptions around reductions in activity based on best practice evidence available. We were then able to advise on the make up of the programme and make recommendations on the best approach to delivering the projects and on the governance structures and resourcing required to enable the programme to achieve its ambitions.

From this work we estimated that the programme could deliver £30m in savings as illustrated in the following diagram, which should at the same time improve outcomes.



## Recommendation

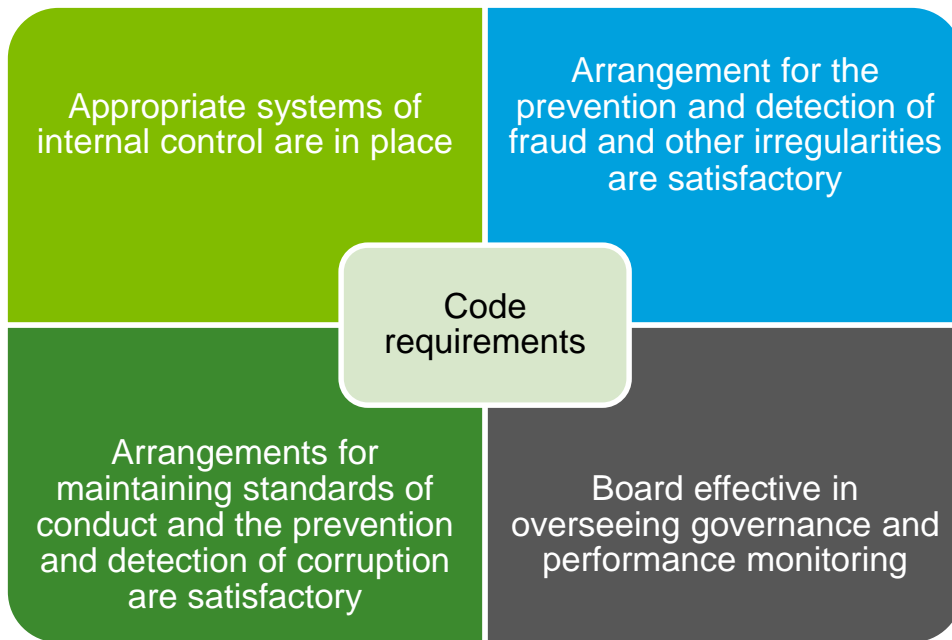
We recommend that the IJB consider applying a similar analysis to help identify how best to target its work on interventions and to deliver better outcomes from the new pooled budgets.



# Governance and transparency

**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.

In accordance with the Code of Audit Practice, we are required to consider and formally report in relation to the following key matters:



## Deloitte conclusion

We confirm that we have reviewed the arrangements in each of the four areas and have identified no issues in this regard. Governance arrangements have been developed in advance of the Board being formally established as discussed further on page 18.

The TLG met on a regular basis during 2015/16 prior to the Board being formally established on 6 February 2016 in order to monitor budgets and progress with implementation in advance of functions being formally delegated on 1 April 2016.

We are comfortable with the fraud arrangements in place and confirm there have been no instances of fraud which management have made us aware through our work on the Aberdeenshire Council audit.

Internal Audit services are being provided through Aberdeenshire Council's Chief Internal Auditor. A Grampian Health and Social Care Integration Audit and Assurance network has been set up. The purpose of this network is to become the local forum to support the development and ongoing co-ordination of audit and assurance arrangements across the three IJBs and the partner bodies within Grampian. A progress report following each meeting will be available to the Audit Committee. The first meeting was held in December 2015.

# Governance and transparency (continued)

## Transitional arrangements

### Governance arrangements

The Health and Social Care Partnerships (HSCPs) was established on 6 February 2016 following the approval of the Integration Schemes by the Scottish Government and services have been delegated from 1 April 2016. The following key actions have taken place in advance of “go live” date:

- After wide engagement and consultation, the **strategic plan** has been formally approved by the IJB. This plan will provide the high level guidance for the preparation of more detailed commissioning plans during 2016.
- Work has been done to develop proposals for the **hosting of delegated services** which are currently provided on a Grampian wide basis. These are mainly based on the previous Community Health Partnership hosting arrangements.
- Following the delegation of budgets to the HSCPs, including elements of the acute sector budget, the **Acute Sector** management team are engaged with the Chief Officer's in terms of the future planning of services. The development of the winter plan for 2015/16 involved close collaboration with the IJB and it is anticipated that the working relationships will be further strengthened as the IJB moves forward.

### Workforce planning and organisational development

- Work to establish the future staffing arrangements within the Partnership and between the Partnerships and the host employer are progressing. Arrangements to define the future employee relations model within the Partnership are broadly agreed.
- Discussions on the process of organisational change and the implications of this are ongoing, as are the development of future workforce plans.
- The IJB Chief Officer is a full member of the Senior Leadership Team at both NHS Grampian and Aberdeenshire Council which is aimed at supporting and encouraging integration.

### Risk management

- A joint risk framework has been agreed between the representatives of the IJB and its partners which will guide the approach to risk management beyond the formal establishment of the IJB.
- The Risk Management Strategy is being developed and will be approved by the IJB.

### Internal audit

- Following agreement by the NHS Grampian Audit Committee and Aberdeenshire Council Scrutiny and Audit Committee, a joint scope for an internal audit review of the governance, financial and monitoring arrangements for the establishment of the IJBs was agreed with all local authority partners. Each of the individual reports were considered first by each organisation's Audit Committee and then shared with the shadow IJB prior to March 2016.

# Value for money

**Value for money** is concerned with using resources effectively and continually improving services.

## Performance management and 15/16 overview

The Aberdeenshire IJB of Aberdeenshire Health and Social Care Partnership was established as a body corporate by Scottish Ministers on 6 February 2016. Its purpose is to improve the wellbeing of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. The Partnership has prepared a Strategic Plan for 2016-2019 which describes how it intends to improve the health and wellbeing of adults in Aberdeenshire through the design and delivery of integrated health and social care services. This will involve joint working with NHS Grampian, Aberdeenshire Council Social Work, Third Sector organisations, private providers of health and social care, and the residents of Aberdeenshire.

Care will be delivered on the basis of localities. The Partnership has divided Aberdeenshire into six localities, which are organised so that health and social care teams and the people in the area they serve can have a clear influence on the resources that are available and the development of new services and support. Twenty multi-disciplinary locality teams will be set up to work closely with services from all sectors to offer care and treatment that best meets those particular needs.

New performance management arrangements have been put in place which includes joint performance management of the Chief Officer and system wide performance management. Improved information sharing is of key importance in the delivery of high quality integrated services.

A cross system steering group for information sharing has been established which will develop a joint vision and organise joint decision making processes to maximise the benefits of information sharing whilst meeting the requirement of legislation.

### Deloitte conclusion

Performance management arrangements have been developed in advance of functions being delegated on 1 April 2016.

# Value for money (continued)

## Audit Scotland national reports

The following reports have been issued by Audit Scotland over the past year which may be of interest to Board members:

Title	Headline messages	Impact on Aberdeenshire IJB
<p>Health and Social Care Integration <i>Published December 2015</i></p>	<p>Significant risks must be addressed if a major reform of health and social care is to fundamentally change how services are delivered, and improve outcomes for the people who use them.</p>	<p>The newly established IJBs must now take the lead and begin strategically shifting resources towards a different, more community-based approach to healthcare.</p> <p>To achieve the scale and pace of change that is needed, there should be a clear understanding of who is accountable for delivering integrated services, and strategic plans that show how the IJBs will use resources to transform delivery of health and social care.</p>
<p>Changing models of health and social care <i>Published March 2016</i></p>	<p>A lack of national leadership and clear planning is preventing the wider change urgently needed if Scotland's health and social care services are to adapt to increasing pressures.</p>	<p>Aberdeenshire IJB, working closely with its partners must contribute to spreading their knowledge and good practice by working together to build a clear picture of what the future of health and social care looks like in their local areas, and what resources must be invested to make that a reality.</p>
<p>Reshaping care for older people – impact report <i>Published March 2016</i></p>	<p>This report looks at the impact made by the report <i>Reshaping care for older people</i>, which was published in February 2014.</p>	<p>Many of the recommendations made in the report are being taken forward as part of the integration agenda. The impact on Aberdeenshire IJB is as noted above.</p>

# Your Annual Report

# Our comments on your annual report

We welcome this opportunity to set out for the Board our observations on the annual report. We are required to read the “front half” of your annual report to consider consistency with the financial statements and any apparent misstatements. Here we summarise our observations on your response to these areas:

## Deloitte response

### Management Commentary

The Management Commentary reflects on those matters companies are required to disclose under the Companies Act 2006, as adapted for local authorities, as required in accordance with The Local Authority Accounts (Scotland) Regulations 2014. This includes description of the principal risks and uncertainties facing the Board, a review of performance in the year, a measurement of progress against performance indicators and commentary on going concern.

We have read the Management Commentary in full in order to ensure that it is in line with our understanding of the Board and complies with the regulations. Following our review of the draft statements, management have updated to reflect our recommended changes and we are therefore satisfied that the final draft is in line with the requirements.

### Governance Statement

The Governance Statement reports that IJB is in compliance with the aspects of the UK Corporate Governance Code which are set out within the guidance as being applicable to Authorities.

The format and content of the statement is consistent with the requirements of the Code and concludes that reasonable assurance can be placed on the adequacy and effectiveness of the Board's Internal Control System in the period to 31 March 2016.

We recommended a number of changes to the draft statement to clearly distinguish between the development of governance arrangements in the shadow year and plans for 2016/17 which have been updated by management in the final draft.

### Remuneration Report

The remuneration report has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014, disclosing the remuneration of senior employees working for the Board. The Board does not make any payments to any members of the Board, whether elected Member or otherwise appointed, by way of salary, enhanced pension benefits or reimbursement of expenses.

We are satisfied that the remuneration report has been prepared in accordance with the amendment regulations and is consistent with the findings of our audit.

# Purpose of our report and responsibility statement

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

Our report is designed to help the Board and Controller of Audit discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Other insights we have identified from our audit.

## What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Board.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

## The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan and the supplementary "briefing on audit matters" previously circulated to you.

We welcome the opportunity to discuss our findings and we value your feedback.

*Deloitte LLP*

**Deloitte LLP**

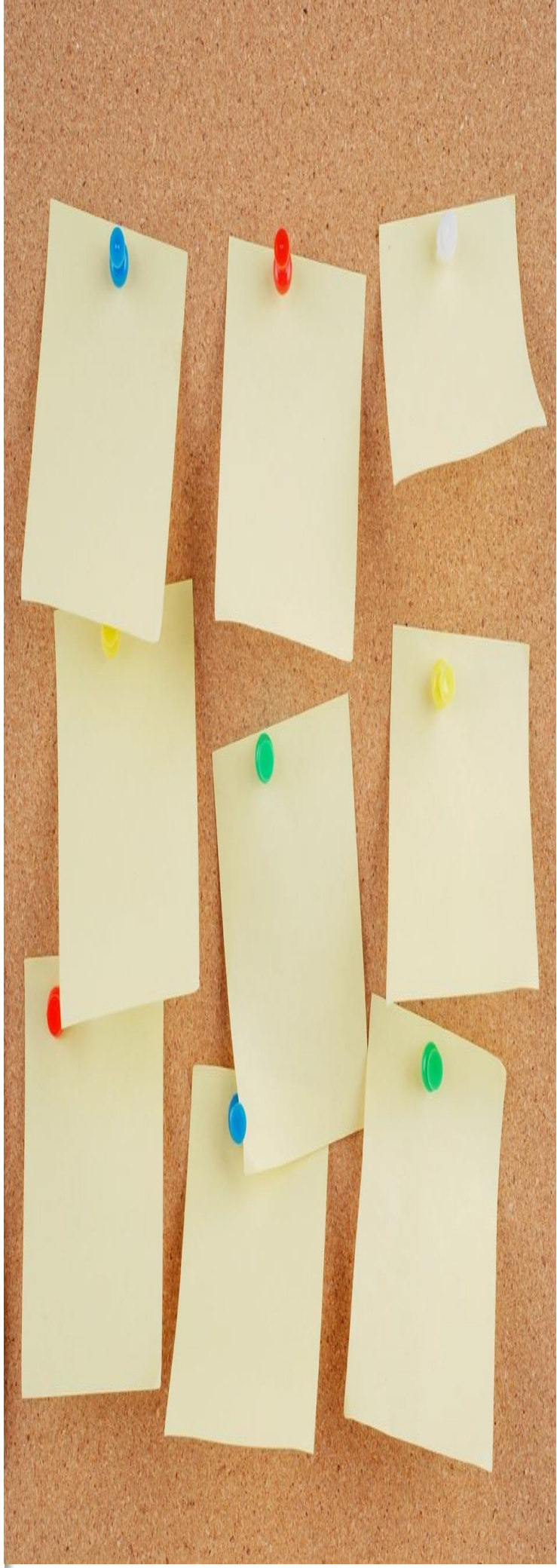
Chartered Accountants

Edinburgh

24 August 2016



# Appendices



# Audit adjustments

## Summary of uncorrected and corrected misstatements

### Corrected misstatements

- No corrected misstatements have been noted in the audit for the period to 31 March 2016.

### Uncorrected misstatements

- No uncorrected misstatements have been noted in the audit for the period to 31 March 2016.



### Disclosure misstatements

- Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

# Action Plan

## Our recommendations for improvement

We present a summary of observations on the Board’s internal control and risk management processes:

Area	Observation	Management response	Priority
Use of Council ledger	We recommend that a separate coding structure is set up within the Council’s ledger system to ensure that going forward the IJB’s transactions are easily distinguishable from the Council’s and to provide a clear audit trail for future years as the Board becomes operational.	We will review the ledger structure to determine the most appropriate way of identifying the transactions that relate to the Board.  <b>Responsible Officer:</b> Chief Finance Officer <b>Target date:</b> 31 March 2017	
Financial sustainability	We recommend that the IJB consider applying a similar analysis as discussed on page 16 to help identify how best to target its work on interventions and to deliver better outcomes from the new pooled budgets.	We were very pleased to consider how to secure such expertise last year and will re-examine this in the current year to determine its value. The management team have already established a session (August 2016) with one provider to do this and we will endeavour to meet with further providers, including Deloitte, to examine the benefit that such analysis might deliver against the costs of having this work performed on our data.  <b>Responsible Officer:</b> Chief Officer <b>Target date:</b> Completion by December 2016 for work to be undertaken in 2017 if it is deemed to offer value for money.	

**Key:**



High Priority



Medium Priority



Low Priority

# Fraud responsibilities and representations

## Responsibilities explained

### Responsibilities

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

### Required representations

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

### Audit work performed

- In our planning we identified the risk of fraud in revenue recognition and management override of controls as key audit risks for the Board.
- During the course of our audit, we have had discussions with management and those charged with governance.

### Concerns

As set out above we have identified the risk of fraud in other income recognition and management override of controls as a key audit risk for your organisation.

# Independence and fees

## There are no issues we wish to raise to you

As part of our obligations under International Standards on Auditing (UK & Ireland) and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General, we are required to report to you on the matters listed below:

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<b>Independence confirmation</b>	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
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<b>Fees</b>	The audit fee for the period has been agreed at £5,000 (inclusive of VAT) and is within the indicative fee range set by Audit Scotland. There were no non-audit services for the period.
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<b>Non-audit services</b>	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Board's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
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<b>Relationships</b>	We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.
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We are not aware of any relationships which are required to be disclosed.

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# Events and publications

## Our events and publications to support the Board

### Sharing our informed perspective

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the NHS are shared below:

#### **Perspectives: Health & Social Care - The great integration challenge**

Bringing health and social care closer together has been a policy ambition for decades, yet it continues to be a challenge. This new piece discusses some of the key factors that affect integration and what can realistically be achieved. Read the full blog post here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/the-great-integration-challenge.html>

#### **Perspectives: The public sector's talent retention challenge – How can a talent drain be avoided?**

Although global governments are increasingly conscious of the value of skills, the UK's public sector workforce has been hit hard by austerity. Job losses, low morale and pay freezes have all fuelled concerns of a potential drain. Read the full blog here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sectors-talent-retention-challenge.html>

### Publications

#### **Decoding Digital Leadership**

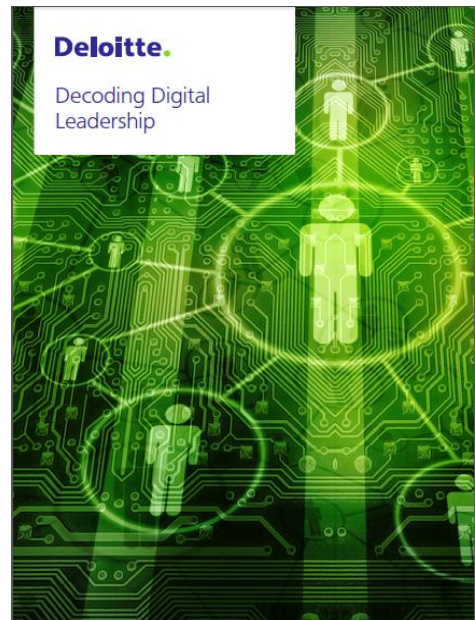
##### Surviving Digital Transformation

Digital transformation is a hot topic in government. The 2010 Spending Review mentioned the word 'digital' only four times in its reform plans, while the 2015 Review mentioned it 58 times. With that context, are senior leaders across government setting their organisations up for digital success?

Digital transformation requires top to bottom organisational transformation, which requires leaders who are willing and able to leverage digital to innovate, fail fast and drive value in an ambiguous context. Are your leaders equipped to drive digital transformation?

Download a copy of our publication here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/decoding-digital-leadership.html>



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