



# Argyll and Bute Integration Joint Board

2015/16 Annual Audit  
Report for members of  
Argyll and Bute  
Integration Joint Board  
and the Controller of Audit

Date: September 2016

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Fiona Mitchell Knight, Assistant Director, Audit Scotland is the engagement lead of Argyll and Bute Integration Joint Board for the 2015/16 year.

This report has been prepared for the use of Argyll and Bute Integration Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

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# Key messages

## Audit of financial statements

- We have completed our audit of the Argyll and Bute Integration Joint Board and issued an unqualified independent auditor's report on the 2015/16 financial statements.

## Financial management & sustainability

- The Board was formally established on 27 June 2015. The costs of providing services and managing the Board in the period from establishment to 31 March 2016 totalled £104,000.
- The Board requires to make savings of £8.498 million in 2016/17 and has savings plans in place for this amount. However some £2.275 million of the planned savings are considered to be high risk and may not materialise.
- The Board requires to agree a recovery plan to ensure that services are delivered within the available budget.

## Governance & transparency

- The Board approved a number of governance arrangements in 2015/16 (financial regulations, standing orders, Code of Conduct, risk management strategy). These will be subject to further development and refinement going forward.
- The meetings of the Board are open to the public who also have access to minutes and supporting papers via partners' websites.

## Best Value

- The Board has approved a planning and performance management framework.
- The Board has yet to develop performance measures aligned to the Board's Strategic Plan and which focus on core priorities.

## Outlook

- The Board will continue to operate in a period of austerity with reduced funding in real terms, increasing cost pressures and a growing demand for services. All integration authorities need to continue to shift resources, including the workforce, towards a more preventative and community based approach.
- It is important that the Board can demonstrate that these changes, which may take several years to fully evolve, are making a positive impact on service users and improving outcomes.

# Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of Argyll and Bute Integration Joint Board (the "Board"). Our audit appointment is for one year, covering the 2015/16 financial year, the first accounting period for which the Board is required to prepare financial statements.
2. This report is a summary of our findings arising from the 2015/16 audit of Argyll and Bute Integration Joint Board. The report is divided into sections which reflect our public sector audit model.
3. The management of the Board is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
4. Our responsibility, as the external auditor of Argyll and Bute Integration Joint Board, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
5. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility to prepare financial statements which give a true and fair view.
6. [Appendix I](#) lists the audit risks that we identified in the annual audit plan we issued in March 2016. It also summarises the assurances provided by management to demonstrate that risks are being addressed and the conclusions of our audit work.
7. [Appendix II](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers considered the issues and agreed to take steps to address them. The Board should ensure it has a mechanism in place to assess progress and monitor outcomes.
8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2015/16 financial statements

<p><b>Audit opinion</b></p>	<ul style="list-style-type: none"> <li>• We have completed our audit and issued an unqualified independent auditor’s report.</li> </ul>
<p><b>Going concern</b></p>	<ul style="list-style-type: none"> <li>• The financial statements were prepared on the going concern basis.</li> <li>• The Board had to set its 2016/17 budget in advance of the health board’s budget. However we do not feel this or any other events or conditions cast significant doubt on the Board’s ability to continue as a going concern.</li> </ul>
<p><b>Other information</b></p>	<ul style="list-style-type: none"> <li>• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We consider whether these reports have been properly prepared, comply with extant guidance and are consistent with the financial statements.</li> <li>• We report any material errors or omissions, any material inconsistencies with the financial statements or any otherwise misleading content. Amendments were made to the remuneration report after the audit. We have nothing else to report in respect of the other information published as part of the annual report and accounts.</li> </ul>

## Submission of financial statements for audit

10. The financial statements of the Board are prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
11. We received the unaudited financial statements of the Board on 27 June 2016. This was before the proposed date of 30 June 2016 that was set out in our 2015/16 Audit Plan. We were aware of the minimal transactions recorded through the 2015/16 financial statements.
12. However, going forward it is important that the financial statements are produced promptly particularly as the Argyll and Bute Integration Joint Board will be fully operational in 2016/17 and figures will be required by the NHS Highland and Argyll and Bute Council for inclusion in their group accounts. In particular, NHS Highland's Audit Committee is due to meet in June 2017 to consider the health board's 2016/17 accounts.

### Recommendation 1

## Overview of the scope of the audit of the financial statements

13. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Argyll and Bute Integration Joint Board on 18 May 2016 for consideration by members.

14. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
15. During the planning phase of our audit we identified a number of risks and reported these to you in our Annual Audit Plan along with the work we proposed doing in order to obtain appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified and how we addressed each risk.
16. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Local Authority Accounts (Scotland) Regulations 2014

17. These regulations apply to the statutory annual accounts. Local Government Finance Circular 7/2014 provides guidance on how these regulations should apply. We have concluded that the Board complies with the regulations.

18. The statement of responsibilities and balance sheet were signed by the proper officer prior to the submission of the unaudited accounts to the auditor.
19. The regulations require those charged with governance to consider the unaudited accounts at a meeting no later than 31 August. In ABIJB's case a meeting was held on 22 June 2016 to formally consider and approve the unaudited annual accounts prior to submitting them to the auditor, and making them available for public inspection.
20. The regulations also require those charged with governance to approve the audited accounts. The board is to do this at its September 2016 meeting, when this report is to be considered.

## Materiality

21. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
22. We summarised our approach to materiality in our 2015/16 Annual Audit Plan. Based on our knowledge and understanding of Argyll and Bute Integration Joint Board we set our planning materiality for 2015/16 at £1,000 (or 1.0% of gross expenditure). In our judgement

we decided that any errors in excess of £1,000 could be considered material and therefore we would report all misstatements greater than this amount.

## Evaluation of misstatements

23. The audit identified some presentational adjustments which were discussed and agreed with management. None of these had an impact on the statement of income and expenditure presented to the Audit Committee on 3 August 2016.

## Significant findings from the audit

24. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - the auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
  - significant difficulties encountered during the audit
  - significant matters arising from the audit that were discussed, or subject to correspondence with management
  - written representations requested by the auditor
  - other matters which in the auditor's professional judgment are significant to the oversight of the financial reporting process.

We have nothing to report in respect of these matters.

## Future accounting and auditing developments

### Audit appointment from 2016/17

25. External auditors are appointed for a five year term either from Audit Scotland's Audit Services Group or private firms of accountants. The procurement process for the new round of audit appointments was completed in March 2016. As a result of this process, Audit Scotland will be the appointed auditor for the Board for a five year period commencing in 2016/17.

### Code of Audit Practice

26. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It outlines the objectives and principles to be followed by auditors.
27. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all annual audit reports, annual audit plans and other significant audit outputs will be put on the website for all audited bodies. This is irrespective of whether the body meets in public or makes documents.

### Health and Social Care Integration

28. The ABIJB became fully operational on 1 April 2016 when delegated services transferred to the Board from NHS Highland and Argyll and Bute Council. Therefore, the financial results of integration joint

board will require to be consolidated into Argyll and Bute Council and NHS Highland's accounts in 2016/17 on the basis of materiality.

29. The Board will require to ensure that procedures are in place for it to provide financial and non-financial information by a mutually agreed date to allow the council and health board to meet their statutory reporting obligations. In addition, the integration joint board will need to consider what assurances they are required to provide to the council and health board to support disclosures in their annual governance statements.

# Financial management and sustainability

## Financial management

30. In the period to 31 March 2016, the Board did not have any assets, nor did it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure relating to services managed by the Board was incurred by partner bodies and processed in their accounting records.

## Financial performance 2015/16

31. The Board's annual accounts include only limited financial information. In the period from the date of establishment (27 June 2015) to 31 March 2016 the Board incurred total running costs of £104,000. This expenditure was fully funded by payments from its partners.

## Integration joint board budget 2016/17

32. The process for determining the first year budget for the Board is set out in the integration scheme agreed between Argyll and Bute Council and NHS Highland. A process of due diligence was carried out on budgets to be transferred to the Board.
33. The Board allocates the resources it receives from the Health Board and Local Authority in line with the Strategic Plan. The council

element of the budget (£55.553m) was approved in February 2016. The health board budget was not formally set until 5 April 2016. During the intervening period the Board approved a budget of £262.919m, based on assumed funding (£195.868m) from the health board.

## Financial management arrangements

34. Financial monitoring reports submitted to the Board feature as a standing item. The reports follow a standard format with council and health budget elements separately analysed. They detail the annual budget, compare actual expenditure against budget for the year to date, highlight variances and include a projected out-turn position for the year.
35. The reports also provide details of significant financial pressures facing the Board, budget recovery plan / savings updates and information on funding strands.
36. It is too early to assess the effectiveness of these arrangements given their recent introduction although the format and content of monitoring reports is consistent with expected practice.

## Conclusion on financial management

37. We have concluded that the Board had appropriate financial management arrangements in place during 2015/16.

## Financial sustainability

38. Financial sustainability means that the Board has the capacity to meet its current and future plans.

### Financial planning

39. As set out in para 32, the Board approved a budget for 2016/17 on 23 March 2016. At the meeting, the Board also noted indicative 2017/18 and 2018/19 budgets and a resulting cumulative funding gap of £20.716m for the three year period 2016/17 to 2018/19.
40. The 2016/17 budget was based on expenditure of £262.919m to deliver partnership services, with Argyll and Bute Council contributing £55.553m and NHS Highland contributing £195.868m. After including Scottish Government funding of £4.580m, there existed a £6.918m funding gap. The main contributing factor to the funding gap was reported as the level of cost and demand pressures outstripping any funding uplifts. At its meeting in March 2016, the Board also approved a Quality and Financial Plan to deliver a balanced partnership budget. The Plan detailed 44 individual savings to be delivered, the key date for delivery and a risk assessment (Red, Amber or Green) of the deliverability of the individual savings. The savings include:
- re-design provision of services at community hospitals across the Argyll and Bute area – saving £2.25m
  - participate in a review of the costing and activity model to review tariff and activity levels for NHS Greater Glasgow and Clyde Service Level Agreement – saving £0.5m
  - closure of West House – saving £0.5m
41. The due diligence process carried out in respect of the historical budget provision, costs and financial offers from the Council and Health partners was revisited during April 2016 at the 2015/16 financial year-end. The overspend position for Council provided Social Work services resulted in an additional projected savings requirement of £1.580m to deliver a balanced partnership budget. An updated Quality and Financial Plan detailing a total revised savings requirement of £8.498m and comprising 63 individual savings to be delivered, was approved by the IJB Board on 22 June 2016. The largest (by value) additional savings include:
- re-design how homecare services are provided – saving £0.375m
  - re-design the service provided by the teams at Struan Lodge Care Home and Struan Day Service – saving £0.175m
  - review a small number of high cost homecare packages – saving £0.2m.
42. At the Board meeting in August 2016, the Chief Financial Officer (CFO) provided an update on Quality and Financial Plan progress as at the end June 2016 which included an updated risk assessment of the deliverability of the individual savings (see Table 1 below). The CFO also reported that it was estimated that £2.275m of the required savings will not be deliverable in 2016/17.

**Table 1: Risk assessment of the deliverability of individual savings**

Risk category	Number	Budget Reduction £'000	Achieved to June 2016 £'000	Remaining £'000
RED	8	2,250	93	2,157
AMBER	24	3,712	18	3,694
GREEN	31	2,536	1,347	1,189
<b>TOTAL</b>	<b>63</b>	<b>8,498</b>	<b>1,458</b>	<b>7,040</b>

43. In her Budget Monitoring Summary to the Board in August 2016, the CFO reported a year-end forecast overspend of £1.5m as at June 2016, primarily due to the expected shortfall in the delivery of the Quality and Financial Plan, and that a recovery plan requires to be put into place to ensure that services are delivered within the available budget.
44. The CFO has confirmed that a financial recovery plan is being finalised which includes management actions to bring the projected spend back into line with budget. The CFO has also confirmed that a medium term financial model will require to be developed to plan for the longer term, using scenario planning based on the best available information.
45. On the basis of limited evidence we have concluded that the Board's financial position is sustainable currently. Due diligence has been carried out on the Board's budget while a recovery plan is currently being put in place to address a forecast overspend.

## Conclusion on financial sustainability

### Outlook

46. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets. This puts further pressure on finances.
47. Strategic plans, while setting out the broad direction, will need to be clear regarding the Board's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.
48. The maintenance of a sound financial position going forward is dependent on achieving significant savings to bridge the gap between available funding from current sources and the cost of services.

### Recommendation 2

# Governance and transparency

49. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with Board members drawn from a wide range of backgrounds.

## Governance structures

50. The Argyll and Bute Integration Joint Board was formally established on 27 June 2015 but did not have operational responsibility in year for delegated services. These services were delegated to the Board on 1 April 2016. The Board has representation from a wide range of service users and partners including four elected councillors nominated by Argyll and Bute Council and four directors nominated by NHS Highland.
51. The Board is responsible for the management and delivery of health and social care services in the Argyll and Bute area and is supported by an audit committee and strategic planning group.
52. The Board is also supported in its work by a Chief Officer (appointed in June 2015) and Chief Financial Officer (appointed in March 2016). The former provides strategic and operational advice to the Board while the latter is responsible for financial management including budget monitoring reports.

## Strategic Plan

53. The legislation required the Board to approve a Strategic Plan by the deadline date of 31 March 2016 before it could take operational responsibility for delegated services. The Plan was duly approved at the Board meeting on 23 March 2016. As a result the Board will now oversee the delivery of the Strategic Plan for the integrated functions and budgets delegated to it.
54. A number of other important strands of the Board's governance framework were put in place in 2015/16. These include:
- approval of standing orders (August 2015)
  - the appointment of internal auditors (June 2016)
  - Code of Conduct (May 2016)
  - financial regulations approved (December 2015)
  - approval of a risk management strategy (August 2016)
  - planning and performance management framework (May 2016)
  - equalities framework (June 2016).
55. On the basis of the evidence available to us we concluded that the Board had appropriate governance arrangements in place commensurate with its responsibilities in 2015/16.

## Internal control

56. All financial transactions of the Board are processed through the financial systems of the partner bodies – Argyll and Bute Council and NHS Highland - and are subject to the same controls and scrutiny of the council and health board, including the work performed by internal audit.
57. As the external auditor for Argyll and Bute Council and from assurance given by NHS Highland external audit we were able to confirm that there were no weaknesses in the systems of control of the partner bodies that we require to bring to the attention of members.
58. Based on the available evidence we concluded that appropriate controls were established during the period of the IJB's existence in 2015/16. It is too early to assess their effectiveness but going forward they will help support the Board's governance arrangements.

## Internal audit

59. Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. The Board meeting in June 2016 agreed that the internal auditor role would be undertaken by the internal auditors of NHS Highland.
60. We did not place any formal reliance on internal audit work.

## Arrangements for the prevention and detection of fraud and corruption

61. The Board has approved a Code of Conduct for members based on the model code and statutory requirements set out in the Ethical Standards in Public Life etc. (Scotland Act 2000).
62. We concluded that in 2015/16 the Board had put in place appropriate arrangements for the prevention and detection of fraud (and corruption) commensurate with its responsibilities at that time.

## Transparency

63. Transparency means that the public have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.
64. Members of the public can attend meetings of the Board. Minutes and related papers for the Board are available on both the council and health board websites.
65. We concluded that the Board has put in place arrangements that support openness and transparency.

## Outlook

66. Embedding robust governance arrangements will be an essential element to ensuring the Board performs effectively and is held to account for its decisions. Governance arrangements will require further development and refinement as the Board evolves.

67. The Board has established an Audit Committee with the first meeting held on 3 August 2016. This will further strengthen governance arrangements within the Board.

# Best Value

68. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. IJBs need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

## Performance management

69. The Public Bodies (Joint Working) (Scotland) Act 2014 and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
70. The Chief Officer submitted a paper to the Board meeting on 24 March 2016 outlining a proposed performance management framework including a sample performance scorecard.
71. The scorecard is focused on the Scottish Government's nine national health and wellbeing outcomes supported by a core indicator set. From this, local indicators will be derived from current plans and measures e.g. the Single Outcome Agreement for the Argyll and Bute area, NHS Highland's local delivery plan and the Board's Strategic Plan.

### Recommendation 3

72. The Chief Officer has been given delegated authority to oversee the implementation of the performance framework and ensure that processes are in place to fulfil legislative requirements (e.g. preparation of an annual performance report). Further reports on progress will be provided to the Board as the performance management system evolves.
73. We concluded that the Board has put in place arrangements to address performance management arrangements as set out in the 2014 Act. However, these arrangements are still at the early stages of development and a number of core performance measures have yet to be agreed.

## National performance audit reports

74. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the Board as outlined below.
75. **Changing models of health and social care report (March 2016):** This report says that transformational change is required to meet the Scottish Government's vision to shift the balance of care to more homely and community-based settings. One of the key findings in the report was that the shift to new models of care was not happening fast enough to meet the growing need, and the new models of care that are in place are generally small-scale and are not widespread.

76. The report did highlight NHS Highland's new model of delivering healthcare for the Small Isles initiative as an example of innovative practice. This is a combination of telehealth facilities and improving local skills to deal with healthcare needs. This is alongside a visiting service provided through NHS Highland's new rural support team that includes GPs, nurse practitioners and paramedics.
77. **Health and Social Care Integration (December 2015):** This report reviewed the progress made to establish new integration authorities, which will be responsible for planning joint health and social care services and managing a budget totalling over £8 billion by 1 April 2016. The report highlighted that evidence suggests that integration joint boards (IJBs) will not be in a position to make a major impact during 2016/17. The report highlighted that there is broad agreement on the principles of integration, but many IJBs have still to set out clear targets and timescales showing how they will make a difference to people who use health and social care services.
78. Audit Scotland plans to re-visit health and social integration in future years to assess progress and impact.

## Outlook

79. Demands on health and social care services are increasing because of demographic changes. People are living longer often with complex health and care needs. At the same time, NHS boards and councils are facing increasingly difficult financial challenges.
80. There is a general recognition that current models of care are unsustainable. New models of care are needed. With the right services many people could avoid unnecessary admissions to hospital, or be discharged more quickly when admission is needed.
81. The Board, working with Argyll and Bute Council and NHS Highland, has a key role to play in ensuring delivery of the Scottish Government's 2020 Vision. This aims to enable everyone to live longer, healthier lives at home or in a homely setting.
82. It is also important that the Board identifies appropriate performance measures and tracks cost savings and outcomes when implementing new models of care.

# Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement in the financial statements</b>		
<p><b>Financial statements</b></p> <p>Financial statements are being prepared under the 2015/16 Code of Practice on Local authority accounting in the United Kingdom for the first time in 23015/16.</p> <p><b>Risk:</b> The Argyll and Bute Integration Joint Board's 2015/16 accounts do not fully comply with the requirements of the 2015/16 Code.</p>	<ul style="list-style-type: none"> <li>Review the ABIJB accounts for completeness.</li> <li>Check the ABIJB's accounts against the requirements of the Code.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed accounts against Integrated Resources Advisory Group (IRAG) finance guidance for completeness.</li> <li>Checked the ABIJB's accounts against the Code requirements, as appropriate.</li> </ul> <p>The 2015/16 audited accounts comply with the Code and relevant guidance.</p>
<p><b>Local Authority Accounts (Scotland) Regulations 2014</b></p> <p>The Argyll and Bute Integration Joint Board (ABIJB), as a new body, will be required to comply with the 2014 Accounts regulations. They deal with the publication and approval of the local authority bodies accounts.</p> <p><b>Risk:</b> There is a risk that the Board may not have adequate arrangements in place to meet the requirements of the 2014 Regulations.</p>	<ul style="list-style-type: none"> <li>Review the arrangements for publicising and approving the ABIJB accounts.</li> <li>Check that the publication, and approval, of the accounts is in line with the 2014 regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed the Board's public inspection advert and the Board's website.</li> <li>Checked that the approval process was in line with 2014 Regulations.</li> </ul> <p>The Board complies with the 2014 regulations.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Management override</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. ISA 240 states that audit procedures should be responsive to risks related to management override of controls.</p> <p><b>Risk:</b> This is a standard risk and relates to management manipulation of the position disclosed in the financial statements by overriding controls that would otherwise apply.</p>	<ul style="list-style-type: none"> <li>• Review financial governance procedures</li> <li>• Review financial monitoring and budgetary control.</li> <li>• Review of any accounting estimates for bias, if applicable.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial governance arrangements reported to the board and key elements (e.g. financial regulations) approved in December 2015.</li> <li>• Financial transactions substantively checked by external audit</li> <li>• No estimates used in compiling the 2015/16 accounts.</li> </ul> <p>Our testing did not identify any issues for reporting to those charged with governance.</p>
<p><b>Risks identified from the auditor’s wider responsibility under the Code of Audit Practice</b></p>		
<p><b>Strategic Plan</b></p> <p>The Strategic Plan has yet to be finalised and approved pending agreement of the ABIJB budget. The health board have raised concerns about uncertainties surrounding the allocation of additional Scottish Government funding for health and social care integration. Also, there is a lack of clarity about the national outcomes framework which will impact on health budgets.</p> <p><b>Risk:</b> - In the absence of an agreed strategic plan, the ABIJB may not have sufficient resources to fund its delegated functions going forward.</p>	<ul style="list-style-type: none"> <li>• Reviewed the outcome of the Board meeting in March 2016 and assess its implications. The meeting was convened to and approve the Strategic Plan including the budget.</li> <li>• Consider due diligence work carried out by internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The Argyll and Bute Partnership Strategic Plan was approved on the 23 March 2016 and the Board will now oversee the delivery of the Strategic Plan.</li> <li>• Due diligence work was carried by internal audit.</li> </ul> <p>We confirmed that the Strategic Plan was approved by the statutory deadline date of 31 March 2016.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Governance arrangements</b></p> <p>Argyll and Bute Integration Joint Board are still to approve many of the arrangements and regulations for ABIJB to run effectively when it becomes fully operational on 1 April 2016, such as financial regulations, sub committees, and internal audit arrangements.</p> <p><b>Risk:</b> Effective governance arrangements are not in place to support the operation to the IJB when it becomes fully operational.</p>	<ul style="list-style-type: none"> <li>• Monitored and reviewed governance arrangements for progress and implementation.</li> <li>• Reviewed disclosures in the governance statement, included within the annual accounts, for progress on governance matters.</li> <li>• Considered due diligence work carried out by internal audit.</li> </ul>	<ul style="list-style-type: none"> <li>• The Board approved a number of governance arrangements including financial regulations and standing orders before March 2016 while others (e.g. establishment of an audit committee, internal audit arrangements and risk management strategy) were approved in 2016/17.</li> <li>• The governance disclosures in the accounts are consistent with audit evidence on file.</li> <li>• The auditors of the council and health board carried out due diligence on the budgets to be transferred to the Board from partners.</li> </ul> <p>The Board approved a number of governance arrangements in 2015/16 but these are subject to ongoing review and development.</p>

## Appendix II: Action plan

No. AS ref.	Para ref	Issue/risk/Recommendation	Management action/response	Responsible officer/ Target date
1.	12	<p><b>Issue</b></p> <p>The Board became fully operational on 1 April 2016 and its full year financial results for 2016/17 will require to be included in the consolidated accounts of NHS Highland. Any delays in the accounts production process in 2016/17 could impact on the health board's ability to finalise its accounts especially as the health board's audit committee is due to meet on the June 2017.</p> <p><b>Risk</b></p> <p>The audit of the Board's accounts is delayed and NHS Highland may not have the financial data required to finalise its 2016/17 accounts.</p> <p><b>Recommendation</b></p> <p>A timetable for preparing the accounts should be agreed in consultation with partners to ensure that all deadlines are achieved.</p>	<p>The IJB and Audit Committee are aware of the requirement to commence planning at an early stage to achieve the production of accounts for 2016-17 within the required timescale.</p> <p>A commitment has been provided to the IJB Audit Committee that a timetable for the production of the accounts will be presented at the next Audit Committee in December. This will require working closely with Council and Health partners and finance colleagues to ensure the delivery of the required information on time at the year-end.</p>	<p>Chief Financial Officer.</p> <p>Draft timetable to Audit Committee for approval in December 2016.</p>

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2.	48	<p><b>Issue</b></p> <p>The Board requires to make savings of £8.498 million in 2016/17 and has savings plans in place for this amount. However, of those planned savings some £2.275 million are considered to be high risk and may not materialise.</p> <p><b>Risk</b></p> <p>The board may not be able to deliver all the savings required in 2016/17 to maintain financial balance.</p> <p><b>Recommendation</b></p> <p>The Board requires to agree a recovery plan to ensure that services are delivered within the available budget.</p>	<p>There is a significant financial risk in relation to the delivery of the Quality and Financial Plan which the IJB and Strategic Management Team are well sighted on. A financial recovery plan to address the projected overspend as a result of this was approved by the IJB on 4 August, this contained management actions to bring spend back into line with budget. To date there has been progress in reducing the overall projected overspend. This plan will continue to be progressed with the financial position and progress with savings monitored on a monthly basis. Further actions will be included within the plan, if and when required, to ensure a balanced year-end budget position.</p>	<p>Chief Financial Officer, Ongoing monthly position reported to IJB.</p>

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3.	71	<p><b>Issue</b></p> <p>The Board has approved a performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. However, performance measures for use in monitoring against the Board's Strategic Plan and core priorities have yet to be fully developed.</p> <p><b>Risk</b></p> <p>The board cannot effectively monitor the delivery of its Strategic Plan and core priorities.</p> <p><b>Recommendation</b></p> <p>The Board should develop and agree key performance measures to be used in monitoring performance against its core priorities.</p>	<p>The IJB developed its indicator and performance measures in 15/16 and approved them for quarterly reporting subject to availability of validated data. The first formal report on quarter 1 2016/17 will be presented to the IJB in September. The Board can effectively monitor performance against the NHWBO indicators and IJB Strategic priorities "6 areas of focus" using the Pyramid performance management system. The IJB is also aligning its ICF and TEC initiatives outcomes and performance to meet these strategic objectives. Locality planning groups are also being developed with local "core performance reports" through 16/17 to inform service redesign/transformation and performance improvement in Argyll and Bute. Identification and development of additional A&amp;B performance indicators such as Carers support and workforce development plan measures are ongoing in 16/17. This work will also take account of the national review of outcomes and targets announced in September 2016.</p>	<p>Head of Strategic Planning and Performance.</p> <p>Ongoing to 2018/19</p>