



# **East Dunbartonshire Health and Social Care Partnership**

2015/16 Annual Audit  
Report for members of  
East Dunbartonshire  
Health and Social Care  
Partnership Board and the  
Controller of Audit

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David McConnell, Assistant Director, Audit Scotland is the Engagement Lead for East Dunbartonshire Health and Social Care Partnership for the 2015/16 year.

This report has been prepared for the use of East Dunbartonshire Health and Social Care Partnership 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

- This is the first year that the Partnership has operated, and published its accounts.
- We have issued an unqualified independent auditor's report on the 2015/16 financial statements. They have been prepared in accordance with accounting regulations and guidance.
- The accounts were prepared in May, this facilitated consolidation of figures into the health board's accounts in June.

## Financial management & sustainability

- The Partnership spent almost £77 million on delivering health and social care services for the residents of East Dunbartonshire during the period 3 September 2015 to 31 March 2016.
- The Partnership has introduced adequate financial management arrangements and the financial position is sustainable but challenging.
- Regular budgetary control reports are provided to the Partnership Board and to the partner bodies.
- There was an underspend of £1.375 million in 2015/16 against budget the majority of which related solely to services provided by East Dunbartonshire Council.

## Governance & transparency

- Appropriate governance arrangements are in place.
- We obtained audit assurance over the accuracy and completeness of financial transactions processed by the partner bodies.
- Internal audit services provided to the Board comply with Public Sector Internal Audit Standards. A protocol should be in place which ensures all internal audit work and subsequent reports are considered by and approved by the IJB.
- The Partnership could make more information publicly available about how it operates.

## Best Value

- The Partnership was one of the first established in Scotland, and has shown commitment to the integration agenda.
- The Strategic Plan 2015-18 outlines the Partnership's aims, visions and priorities.
- An annual performance report has been published which provides details of progress against performance targets set out in the Strategic Plan.

## Outlook

- Whilst the Partnership's commitment to providing better preventative and community based care is encouraging, it is too early to judge its impact. The Partnership will need to demonstrate its evolving approach is making a positive impact on users and outcome measures.
- The Partnership will continue to operate in a period of austerity with reduced funding in real terms, increasing cost pressures and a growing demand for services. Developing and implementing workforce strategies which enable the redesign of health and care services to meet future needs will be challenging. This is heightened by current difficulties in recruiting and retaining staff.

# Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of East Dunbartonshire Health and Social Care Partnership (the "Partnership"). Our audit appointment is for one year, covering the 2015/16 financial year. This is the first period for which the Partnership has prepared financial statements.
2. This report is a summary of our findings arising from the 2015/16 audit. The report is divided into sections which reflect our public sector audit model.
3. The management of the Partnership 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, 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. [Appendix II](#) lists the reports we issued to the Partnership during the year. A number of national reports have been issued by Audit Scotland during the course of the year. These reports, summarised at [Appendix III](#), include recommendations for improvements.
7. [Appendix IV](#) 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 Partnership 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

<b>Audit opinion</b>	<ul style="list-style-type: none"><li>• We have completed our audit and issued an unqualified independent auditor's report.</li></ul>
<b>Going concern</b>	<ul style="list-style-type: none"><li>• The financial statements were prepared on the going concern basis.</li></ul>
<b>Other information</b>	<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 have nothing to report in respect of this information.</li></ul>

## Submission of financial statements for audit

10. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the Partnership 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. The Partnership put arrangements in place to provide information to its partners for their group accounts, per an agreed timetable. This was particularly important for NHS Greater Glasgow & Clyde which is required to submit audited accounts by 30 June. This included details of balances held at the year-end, the transactions in the year and other information including assurances needed for the governance statements.
12. We received the unaudited financial statements of the Partnership on 30 May 2016, in accordance with the agreed timetable. The working papers were adequate and finance staff provided support to the audit team which assisted the delivery of the audit by the deadline.
13. Section 9 of the Local Authority Accounts (Scotland) Regulations 2014 relates to the notice of public right to inspect and object to unaudited accounts of a local authority.
14. Although the notice of public right to inspect and object to Partnership's 2015/16 unaudited financial statements was published in two local newspapers within East Dunbartonshire (on 5 July 2016

and 7 July 2016), the notice was not published on the Partnership's website or the website of the council or health board. The notice was instead published on the 'TellMeScotland' website from 30 June 2016 to 24 July 2016.

15. As a result, the Partnership did not comply with the requirements of Section 9 of the 2014 Regulations as follows:
  - the Partnership did not give public notice of the right of interested persons to inspect and object to its accounts by 17 June 2016 immediately following the financial year to which the accounts relate.
  - the Partnership did not publish the notice on its own website or the website of the council or health board.

### Action Plan No. 1

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

16. 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 Audit Committee on 20 June 2016.
17. 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.

18. The concept of audit risk is central to our audit approach. We focus on those areas that are most at risk of causing material misstatement in the financial statements. In addition, we consider what risks are present in respect of our wider responsibility, as public sector auditors, under Audit Scotland's Code of Audit Practice.
19. 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.
20. 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.

## 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 consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial

statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

23. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of the Partnership we set our planning materiality for 2015/16 at £0.615 million (or 1% of budgeted gross expenditure). Performance materiality was calculated at £0.370 million, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level. Additionally, we set a misstatement threshold of £0.006 million (approximately 1% of planning materiality) for reporting errors. Our annual audit plan highlighted that we would report all misstatements greater than £0.006 million.
24. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels, and concluded that our original calculations remained appropriate.

## Evaluation of misstatements

25. The audit identified some minor presentational items in the unaudited accounts which were discussed and agreed with management. There was one misstatement of £12,500 which is explained in table 1. This has been adjusted and results in the audited accounts reporting a surplus of £1.388 million.

## Significant findings from the audit

26. 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.
27. There are no matters other than those set out in this report that we want to bring to your attention. Table 1 below details issues from the audit of the financial statements that, in our view require to be communicated to those charged with governance in accordance with ISA 260.
28. The financial statements have been compiled in accordance with regulations and we have issued an unqualified independent auditor's report.



**Table 1: Significant findings from the audit**

Significant findings from the audit in accordance with ISA260
<p><b>Social Work Expenditure - Allocation</b></p> <p>The unaudited accounts disclosed local authority services expenditure of £24.661 million. This consists of payroll expenditure of £7.9 million and non-payroll expenditure of £16.793m. This expenditure is based on a seven month proportion of East Dunbartonshire Council’s total social work expenditure for 2015/16 (i.e. 3 September 2015 to 31 March 2016). However, the working papers provided to us show that social work non-payroll expenditure processed through the financial ledger from the start of September 2015 to 31 March 2016 was £19.2 million and not £16.793 million. Officers involved in the preparation of the accounts explained that as at the start of September 2015 the council had a backlog of approximately two months relating to payments made to social care providers and that, as a result, the figure £16.793 million is a more accurate representation of social work expenditure for the seven month period from 3 September 2015 to 31 March 2016. Our view is that the council’s approximation is reasonably based, although further analysis of the source data would have provided additional assurance.</p> <p><i>Resolution:</i> No further action required as future years will reflect 12 months of operations.</p>
<p><b>Social Work Expenditure and Income - Adjustment</b></p> <p>The unaudited accounts disclosed social work gross expenditure and gross income of £22.667 million and £24.064 million respectively. However, these amounts have been adjusted to ensure consistency with the corresponding amounts disclosed in the 2015/16 financial statements of East Dunbartonshire Council. This results in the gross expenditure and gross income being adjusted to of £24.064 million and £25.462 million respectively. There was no impact on the Partnership’s reported surplus.</p> <p><i>Resolution:</i> The audited accounts have been updated to reflect this.</p>
<p><b>VAT Costs</b></p> <p>The unaudited accounts disclosed VAT gross expenditure of £12,500 in respect of the secondment of the Chief Officer. However, subsequent guidance from the Scottish Government advised that and the transaction should be deemed as being outside the scope of VAT. As a result, this cost has been removed from the accounts which has the effect of increasing the Partnership’s reported surplus to £1.388 million.</p> <p><i>Resolution:</i> The audited accounts have been updated to reflect this.</p>

## Future accounting and auditing developments

### Audit appointment from 2016/17

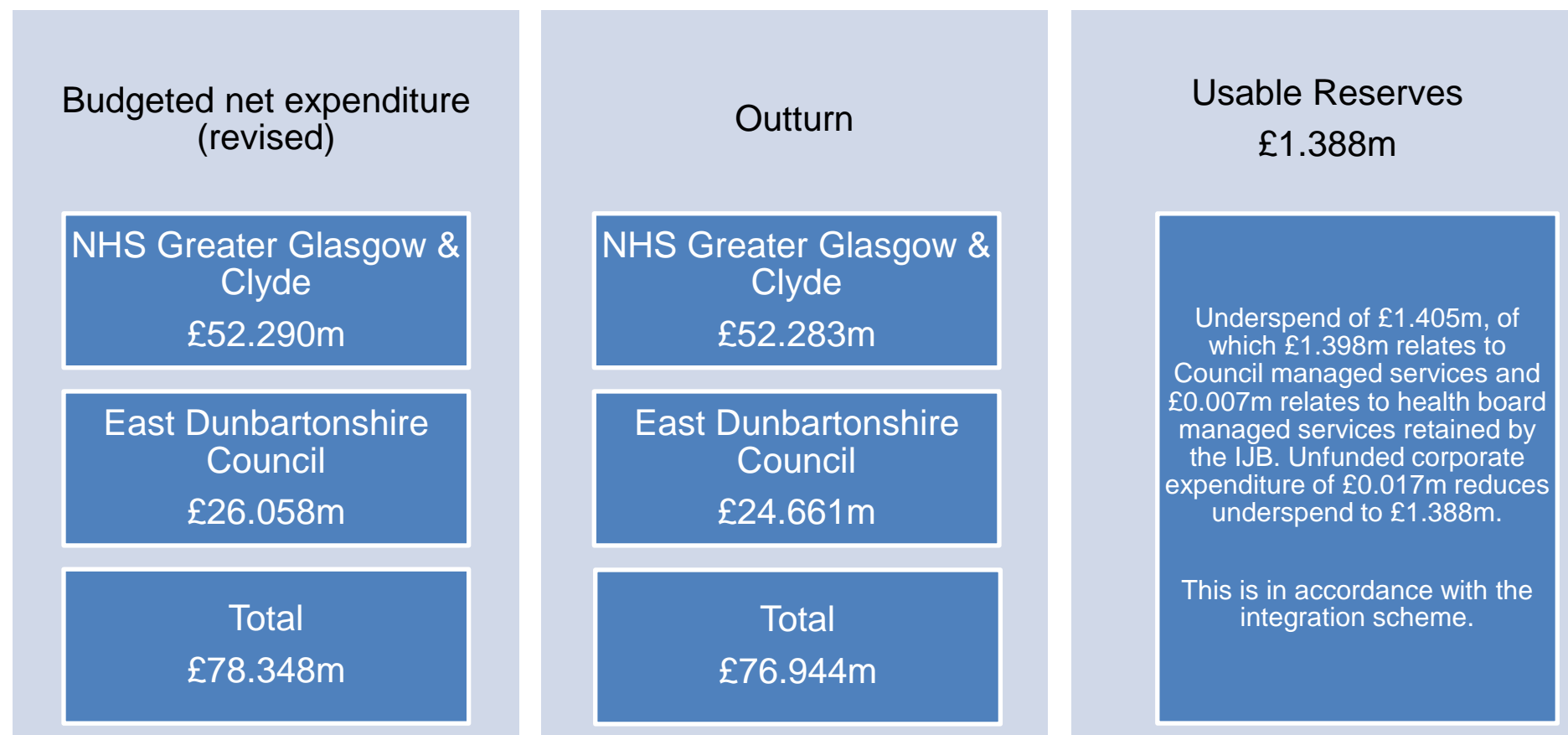
29. The Accounts Commission is responsible for the appointment of external auditors to health and social care Partnerships. Paragraph 1 referred to Audit Scotland's one year appointment as the auditor of the Partnership in 2015/16. This was restricted to one year to reflect the final year of our five year appointment as auditors of NHS Greater Glasgow & Clyde and East Dunbartonshire Council. External auditors are appointed for a five year term either from Audit Scotland's Audit Services Group or private firms of accountants.
30. The procurement process for the new round of audit appointments was completed in March 2016. From next year (2016/17) Audit Scotland will be the appointed auditor for the Partnership.

### Code of Audit Practice

31. 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.
32. 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 available to the public.

# Financial management and sustainability



The figures above represent the net costs of services managed by the Partnership for the period 3 September 2015 to 31 March 2016. They include the acute services set aside of £9.570 million.

## Financial management

33. In this section we comment on the Partnership's financial performance and assess the financial management arrangements.
34. The Partnership does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for the Partnership is processed in the stakeholders' accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the Partnership Board.
35. The integration scheme between NHS Greater Glasgow & Clyde and East Dunbartonshire Council sets out the amount to be paid by the parties to the Partnership. Delegated baseline budgets for 2015/16 were subject to due diligence and comparison to actual expenditure in previous years.
36. Legislation empowers the Partnership to hold reserves. The integration scheme and the reserves policy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that underspends in an element of the operational budget arising from specific management action may be retained by the Partnership to either fund additional in year capacity, or be carried forward to fund capacity in future years of the Strategic Plan. Alternatively, these can be returned to the partner bodies in the event of a windfall saving.

## Financial performance 2015/16

37. In September 2015, the Interim Chief Finance Officer presented a report to the shadow Partnership Board which provided details of the opening 2015/16 budget for the Partnership. This was based on budgeted expenditure of £117.070 million to deliver Partnership services with £75.224 million contributed from NHS Greater Glasgow & Clyde and £41.846 million contributed by East Dunbartonshire Council. However, these budgeted amounts relate to the whole financial year, i.e. 1 April 2015 to 31 March 2016, and no budgeted expenditure figures were provided to the shadow Partnership Board for the period 3 September 2015 to 31 March 2016, the period in which the Partnership was operational.
38. Although this report to the Partnership Board highlighted that savings targets of £0.260 million and £0.417 million had been allocated to the Partnership by the health board and council respectively for 2015/16, it is not clear if this savings target relates to the period in which the Partnership was operational in 2015/16 or the whole financial year.
39. Similarly, subsequent 2015/16 revenue budget monitoring reports presented to the Partnership Board during the remainder of 2015/16 provided only actual expenditure variances against budgeted expenditure for the whole financial year and not for the period in which the Partnership was operational during 2015/16.
40. The 2015/16 financial statements disclose a gross underspend of £1.405 million, of which £1.398 million relates to council managed services and £0.007 million relates to health board managed

services retained by the Partnership. Unfunded corporate expenditure of £0.017 million reduces the underspend to £1.388 million. The underspend reported in the 2015/16 financial statements is not consistent with the Projected Financial Outturn for 2015/16 and Outlook for 2016/17 report presented to the Partnership Board by the Interim Chief Finance Officer on 31 March 2016 for the reasons outlined above.

41. This report also highlighted that the Partnership would have an underspend of £0.6 million to £0.7 million at 31 March 2016 to carry forward into 2016/17 (being health board underspend of £0.8 million less council overspend of £0.150 million), although this inconsistency is due to the fact that these outturns are based on the actual expenditure for the whole financial year and not for the period in which the Partnership was operational during 2015/16. This demonstrates that the Partnership Board has not received relevant financial information during the year which is consistent with the 2015/16 financial statements.
42. East Dunbartonshire Council approved that the underspend of £1.398 million relating mainly to East Dunbartonshire Council managed services will be made available to the Partnership to meet the cost of relevant expenditure in 2016/17.
43. The management commentary in the accounts provides a summary of the reasons for key variances from budget.

## Financial management arrangements

44. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
  - the Chief Financial Officer has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the Partnership
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - Partnership Board members provide a good level of challenge and question budget holders on significant variances.
45. The Interim Chief Finance Officer was in post throughout the accounting year (to 31 March 2016), and is responsible for ensuring that appropriate financial services are available to the Partnership Board and the Chief Officer. A permanent Chief Finance Officer took up the post on 9 May 2016.
46. We reviewed the standing financial instructions and standing orders, which were created on the formation of the Partnership. These were approved by the Partnership Board and we consider these to be comprehensive.
47. Financial monitoring of the Partnership budget is reported in an agreed format to the Partnership Board, the Audit Committee, and

externally to NHS Greater Glasgow & Clyde and East Dunbartonshire Council. The Partnership Board is provided with regular finance reports during the year.

48. Projections of the year end position are included in the budget monitoring reports. These provide information on any adjustments to the baseline budgets, together with forecast outturn for the year and reasons for variances. Underspends and overspends are also attributed to the relevant partner body.
49. The Partnership Board has responsibility for carrying out detailed scrutiny of the financial and operational performance and ensuring that prompt corrective actions are taken where appropriate. However, as noted earlier the revenue budget monitoring reports presented to the Partnership Board during 2015/16 provided only actual expenditure variances against budgeted expenditure for the whole financial year and not for the period in which the Partnership was operational during 2015/16.
50. We attended two Audit Committee meetings during the year and we noted that it is becoming more established as a committee.

## Conclusion on financial management

51. We have concluded that the Partnership's financial management arrangements are still developing. These need to support the review and scrutiny of financial performance, the achievement of financial targets, and awareness of any potential overspends.

## Financial sustainability

52. Financial sustainability means that the Partnership has the capacity to meet its current and future plans. In assessing financial sustainability we are concerned with whether:
  - spending is being balanced with income in the short term
  - long-term financial pressures are understood and planned for.

## Financial planning

53. The Partnership allocates the resources it receives from the health board and council in line with the Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2015/16 budget provided for the Partnership.
54. Delays to the agreement of the Scottish Government's financial plans meant that the Partnership budget for 2016/17 was not formally set at the beginning of the financial year. The council budget was set in March 2016. This provided confirmation around the council element of the Partnership funding for 2016/17. The health board budget was formally approved on 28 June 2016.
55. Our review of Partnership Board papers from March 2016 to August 2016 identified that the Partnership Board did not formally approve a budget for 2016/17. Instead the Partnership Board received a report in August 2016 which provided the forecast outturn against the 2016/17 revenue budget for the Partnership. This report highlights that the Partnership's 2016/17 total budgeted expenditure for Adult Services is £135.633 million, comprising of contributions

from the council and health board of £40.5 million and £95.133 million respectively. The report notes that the total budgeted expenditure in 2016/17 has yet to be adjusted to reflect the savings required by the health board of £0.346 million, which are still to be identified, and the Partnership's share of the council savings requirements in respect of total resourcing and procurement savings which are yet to be determined.

#### **Action Plan No. 2**

56. In addition to the above, in August 2016 a separate report presented to the Partnership Board provided details of the Children's Health, Children's Social Work and Criminal Justice Services revenue budgets for 2016/17. The report outlined that the revenue budget provided by the council for the delivery of Children's Social Work and Criminal Justice services was £11.4 million and £1.3 million of revenue budget had been made available by the health board for the delivery of Children's Health Services. Children's Health, Children's Social Work and Criminal Justice Services were transferred to the Partnership on 11 August 2016.
57. The forecast outturn report as at 30 June 2016 presented to the Partnership Board in August 2016 (see paragraph 55 above) is reporting a projected breakeven position for Adult Services for 2016/17. However, the Chief Finance Officer highlights that budgeted expenditure has yet to be adjusted to reflect the savings required by the health board and the council savings requirements which are yet to be determined. In addition, the report states that there continues to be pressure on the care home placements

budget although Partnership reserves carried forward from 2015/16 will provide some resilience in 2016/17.

58. If savings plans are insufficient to deliver a break even position in 2016/17 then the Partnership will need to consider how to address this taking account of the options set out in the Integration Scheme. It is essential that the Partnership continues to monitor its financial position closely throughout the year and engages with its funding partners on a regular basis to review the financial position. With significant pressures on the Partnership's budget, it is important that budget monitoring continues to be presented on a timely basis so that a financial recovery plan can be developed and agreed in time for actions to be successful.

#### **Action Plan No. 3**

### **Conclusion on financial sustainability**

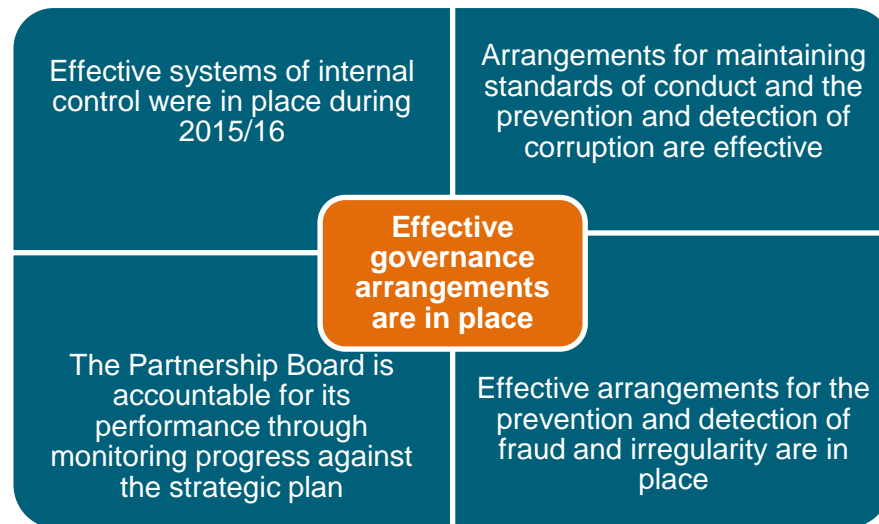
59. Overall we conclude that the Partnership's financial position is sustainable but challenging currently and in the foreseeable future. Adequate financial planning arrangements are in place and we have also relied on the East Dunbartonshire Council's and NHS Greater Glasgow & Clyde's track record of delivering efficiency savings. However, the revenue budget monitoring reports presented to the Partnership Board during the year were not consistent with the financial position reported in the 2015/16 financial statements due to different accounting periods being used.

## Outlook

60. 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.
61. Strategic plans, while setting out the broad direction, will need to be clear regarding the Partnership'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.

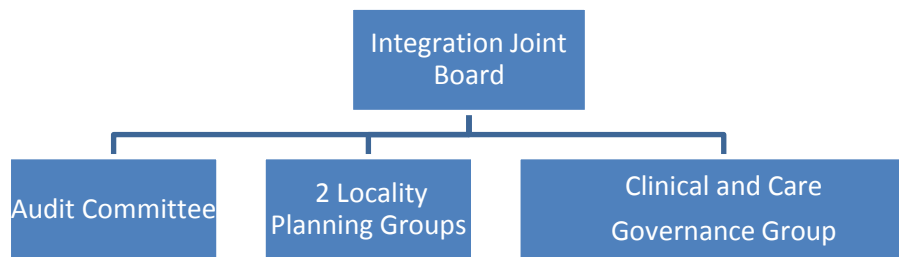


# Governance and transparency



62. 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.
63. The integration scheme between East Dunbartonshire Council and NHS Greater Glasgow & Clyde sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.
64. The Partnership Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the Partnership and for monitoring the adequacy of these arrangements.
65. The Partnership Board comprises a wide range of service users and partners including three elected councillors nominated by East Dunbartonshire Council and three non executive directors nominated by NHS Greater Glasgow & Clyde.
66. The Partnership Board is supported by a Chief Officer who provides overall strategic and operational advice to the IJB, and is directly accountable to the Partnership Board for all of its responsibilities. The Chief Officer is also accountable to both the Chief Executive of East Dunbartonshire Council and the Chief Executive of NHS Greater Glasgow & Clyde. The Chief Officer also provides regular reports to both the council and the health board.
67. The Partnership is responsible for the management and delivery of health and social care services in East Dunbartonshire, and is supported by a number of groups as illustrated at [Exhibit 1](#).
68. The Partnership Board and each of the groups met on a regular basis throughout the year. We review Partnership Board minutes and Audit Committee minutes to ensure they are fulfilling their responsibilities. We also periodically attend meetings of the Audit Committee. Additionally, we attend selected Partnership Board meetings to observe how they perform.

**Exhibit 1: Committees and Groups at East Dunbartonshire Integration Joint Board**



- 69. Standing Orders for the Partnership were approved when it was established in July 2015. Schemes of Delegation are in place which clarify the functions delegated by East Dunbartonshire Council and NHS Greater Glasgow & Clyde. These delegate operational management of services to the Chief Officer. We concluded that the Partnership has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.
- 70. A Clinical and Care Governance Group has been established which will report to the Chief Officer and through her to the Partnership

Board. The membership reflects the professional groups within the Partnership including nursing, medical, social work and primary care colleagues.

- 71. The role of the Clinical and Care Governance Group is to consider matters relating to Strategic Plan development, governance, risk management, service user feedback and complaints, standards, education, learning, continuous improvement and inspection activity.
- 72. We concluded that the Partnership has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

**Internal control**

- 73. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
- 74. All financial transactions of the Partnership are processed through the financial systems of East Dunbartonshire Council and NHS Greater Glasgow & Clyde. They are subject to the same controls and scrutiny of the council and health board, including the work performed by internal audit.
- 75. The Partnership is keen to ensure only relevant information is shared and accessed by relevant people, and therefore keeping

information secure. Until the structure of service provision has been developed further each party will remain responsible for its element of data security, protection, maintenance, training and technical support.

- 76. We sought and obtained assurances from the external auditor of the council and health board regarding the systems of internal control used to produce the transactions and balances recorded in the Partnership's annual accounts.
- 77. We also reviewed the Partnership's budget setting and financial monitoring arrangements and feel that they could have been more robust. We consider the systems of internal control to be effective.

## Internal audit

- 78. Internal audit provides the Partnership Board and Chief Officer with independent assurance on the Partnership's overall risk management, internal control and corporate governance processes. Internal audit services are provided to the Partnership by the respective internal auditors at both East Dunbartonshire Council and NHS Greater Glasgow & Clyde. We carried out a review of the adequacy of the internal audit functions at each of the partner bodies. We concluded that internal audit at each partner body operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
- 79. The Partnership's Chief Internal Auditor concluded that reasonable assurance can be placed on the adequacy and effectiveness of the

IJB's systems of governance, risk and internal control. This conclusion was based on the Chief Internal Auditor's audit work carried out at East Dunbartonshire Council that related to the Partnership. However, the conclusion did not refer to the findings of reports issued by the NHS Greater Glasgow & Clyde internal auditor.

- 80. In 2015/16, there was no mechanism in place for the internal audit service provider for NHS Greater Glasgow & Clyde, PricewaterhouseCoopers (PwC), to consult with the Audit Committee regarding the audit work they planned to carry out regarding the Partnership, nor was there a protocol for PwC reports to be presented to the Audit Committee. However, PwC have recently agreed that only the annual audit plans and annual audit reports that they issue to NHS Greater Glasgow & Clyde will be shared with the Partnership's Chief Internal Auditor, although PwC would not attend meetings of the Partnership's Audit Committee.
- 81. As services become more integrated this will present a greater challenge to internal audit to produce audit plans that cover the accounting systems and governance arrangements for all the organisations.

## Arrangements for the prevention and detection of fraud and other irregularities

- 82. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the Partnership does not directly

employ staff, it has been agreed that investigations will be carried out by the internal audit service of the partner body where any fraud or irregularity originates. If this relates to NHS Greater Glasgow & Clyde, there are arrangements in place to use the Counter Fraud Services.

83. We concluded that the Partnership had effective arrangements in place for fraud detection and prevention during 2015/16.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

84. The Partnership Board requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies. In August 2016 the Partnership Board agreed to adopt the template Code of Conduct for Integration Joint Boards which had been produced by the Scottish Government.
85. Based on our review of the evidence we concluded that the Partnership has effective arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

## Transparency

86. The Partnership is committed to ensuring that a wide range of partners including Community Planning Partners, third sector, independent sector and communities have an opportunity to become engaged, involved and are able to contribute to the success

of the Partnership. The Strategic Plan and locality planning arrangements enable wider partners to engage in, and support the delivery of the Strategic Plan. The Integration Scheme sets out the requirement for the consultation and engagement of key groups.

87. In addition to East Dunbartonshire Council and NHS Greater Glasgow & Clyde representation, the Partnership Board includes a number of representatives from health and social care professionals, including GPs, employees, unpaid carers, service users, and the third sector.
88. Local residents should be able to hold the Partnership to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the Partnership is taking decisions and how it is using its resources.
89. A significant amount of the Partnership's business is transacted through the Partnership Board, Audit Committee, or through the groups listed at [Exhibit 1](#). Although minutes and related papers for the Partnership Board are available on the council website, other committee/group papers are not publicly available. The Partnership Board should consider enhancing transparency by publishing papers submitted to standing committees and groups. Where papers include confidential information these can be withdrawn or redacted as appropriate.
90. The Partnership does not have its own website. Information about services provided by the Partnership, or details of the meetings held

by the Partnership Board can be accessed through the council website. The Partnership is currently developing its own website.

91. The Partnership demonstrates some areas of transparency. However, the amount of information publicly available could be increased.

## Outlook

92. Embedding the Partnership's governance arrangements will be an essential element in meeting its future challenges and maintaining accountability. All stakeholders including patients, clinicians, carers, the public, staff, partner bodies and the Scottish Government, benefit from the assurance and confidence a good governance regime brings.
93. The structure of health and social care partnerships brings the potential for real or perceived conflicts of interest for board members and senior managers. For example, there is the risk that efficiency savings achieved by the Partnership may not be passed on by the partners who, themselves, are under pressure to deliver services with reduced financial resources. This could hamper the Partnership's ability to make decisions about the changes involved in redesigning services. Members of the public may also be unclear who is ultimately responsible for the quality of care. Going forward partners will need to keep governance arrangements under review to ensure they are effective, particularly when disagreements arise.

# Best Value



- 94. The Public Bodies (Joint Working) (Scotland) Act 2014 set out a broad framework for creating integration authorities and gave councils and NHS boards a great deal of flexibility to enable them to develop integrated services that are best suited to local circumstances.
- 95. Integration authorities are required to contribute towards nine national health and wellbeing outcomes. These high level outcomes seek to measure the quality of health and social care services and their impact on, for example, allowing people to live independently and in good health, and reducing health inequalities. This signals an

important shift from measuring internal processes to assessing the impact on people using health and social care services. The Strategic Plan has adopted the nine national wellbeing outcomes, together with the six additional outcomes for children and community justice.

- 96. The Shadow Partnership Board approved the Strategic Plan 2015-18 on 3 September 2015 and it includes measures and targets, which will inform the Partnership’s overarching performance framework and have been prepared by the Strategic Plan Steering Group. The Group comprises senior managers and service managers from East Dunbartonshire Council and the Community Health Partnership. The measures and targets will demonstrate progress against the priorities set out in the Strategic Plan and take account of national core indicators for integration, local delivery targets and relevant Single Outcome Agreement (SOA) targets.
- 97. The Partnership Board is provided with quarterly performance reports to update on progress against the proposed targets and measures, with narrative to describe progress and actions for improvement.
- 98. The Partnership Board is required to review the Strategic Plan annually. In August 2016 the Strategic Plan – One Year Progress and Update 2016/17 report was presented to the Partnership Board and provided an update on progress against the agreed 2015/16 priorities set out in the Partnership’s Strategic Plan 2015-18, and the proposed priorities for 2016/17.

99. The Partnership was one of the first to be established in Scotland, and has demonstrated a commitment to the integration agenda throughout. The integration scheme specifies the wide range of functions delegated by the council and the health board to the Partnership. These include all services previously carried out by the council's social services department, plus a wide range of service previously carried out by the health board. Good progress is being made.
100. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Health and social care partnerships need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account. There is also a need for regular reporting to partner organisations. This is particularly important as most members of East Dunbartonshire Council and NHS Greater Glasgow & Clyde are not directly involved in the Partnership's work.

## Arrangements for securing Best Value

101. The integration scheme committed the Board to delivering the national outcomes for Health & Wellbeing. Partners identified a core set of indicators and targets and then agreed a framework for reporting progress against these. Locality planning arrangements are also in place which are multi disciplinary and multi sectorial and allow for different local needs to be taken into account in strategic planning.

102. Overall, we concluded that the Partnership has arrangements for securing BV and continuous improvement.

## Performance management

103. Performance management is focused on an approach aimed to deliver improved outcomes for individuals and communities.
104. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. This report should cover areas including: service type and balance of care; key care groups; localities; and assessment of performance in achieving best value. While the publication of the performance report is not a statutory requirement until 2016/17, the Partnership produced this report for 2015/16 and it was presented to the Partnership Board in August 2016.
105. Financial monitoring reports are submitted regularly during the year to the Partnership Board. These reports include progress in achieving savings targets.
106. We concluded that the Partnership has established a satisfactory performance management framework.

## Overview of performance targets in 2015/16

107. Of the 36 key performance indicators detailed in the Partnership's performance report for 2015/16, 23 were demonstrated positive performance against target and 13 were showing negative performance against target.

**108.** Areas where actual performance is positive includes:

- Number of acute bed days lost to delayed discharges.
- Number of new permanent admissions to care homes for 65+ per month.
- Percentage of service users satisfied with the quality of social care provided.
- Percentage of people aged 65+ receiving homecare who receive a service at weekends.

**109.** However, there are also more challenging areas for the Partnership. These include the percentage of people aged 65+ in permanent care home placement, number of emergency admissions 75+, percentage of clients waiting no longer than 3 weeks from referral to alcohol and drug treatment and Percentage of complaints received and responded to within organisational timeframe.

## National performance audit reports

**110.** 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. These are outlined in [Appendix III](#) accompanying this report.

**111.** The Partnership has processes in place to ensure that all national performance reports and their impact on the Partnership are considered by the Partnership Board.

## Outlook

**112.** The Partnership faces continuing challenges on a number of fronts including ongoing financial challenges, meeting exacting performance targets, and delivering the Scottish Government's aim of having people living longer and healthier lives at home or a homely setting (i.e. the 2020 Vision).

**113.** The Partnership is responsible for co-ordinating health and social care services and commissioning NHS Greater Glasgow & Clyde and East Dunbartonshire Council to deliver services in line with the strategic plan. Over time, the intention is that there will be shift in resources that will lead to a change in how services are provided, with a greater emphasis on preventative services and allowing people to receive care and support in their home or local community.

**114.** The Partnership will need to continue to demonstrate and report whether this is making a positive impact on service users and improving outcomes. To help achieve this it is important that the Partnership has strategies covering the workforce, risk management, engagement with service users, and data sharing arrangements which help to enable delivery of the Partnership's strategic priorities.



# 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.

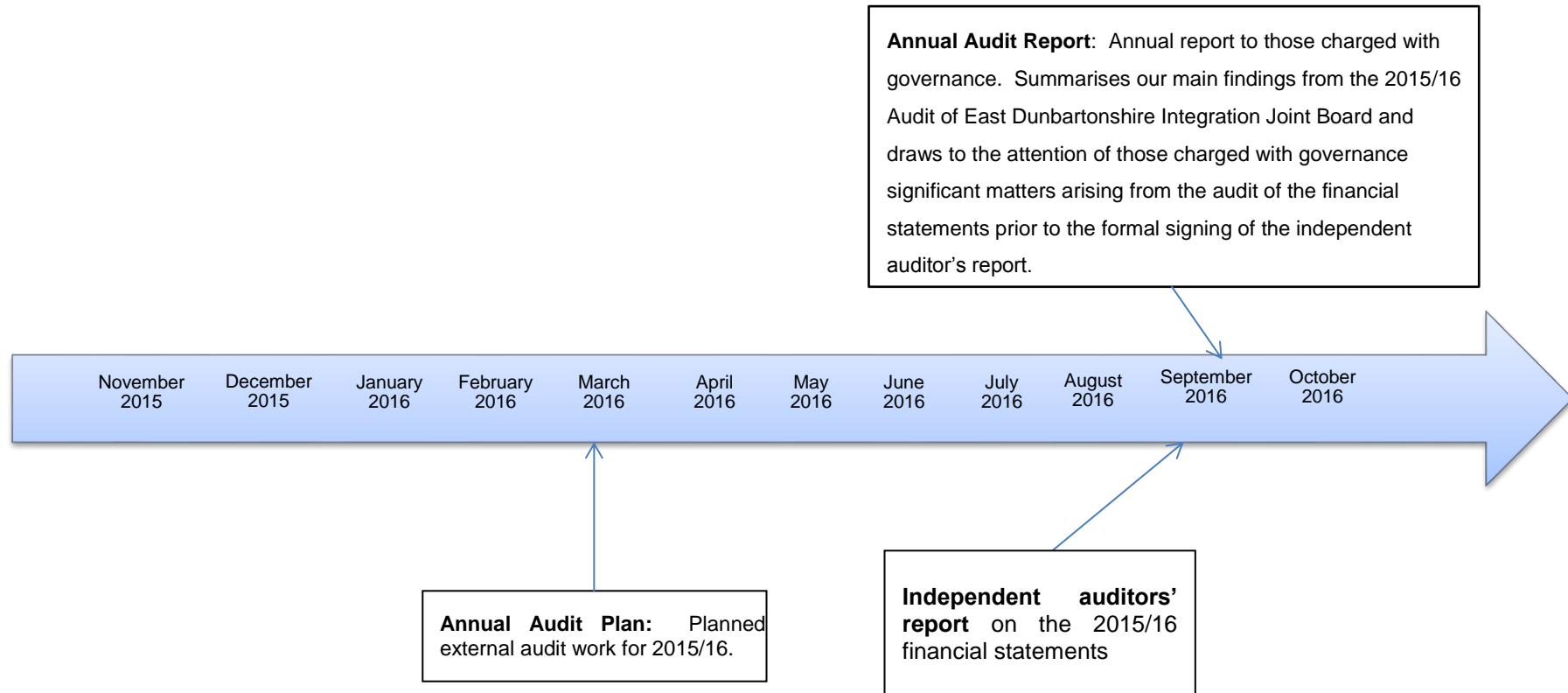
Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement in the financial statements</b>		
<p><b>Financial statements</b></p> <p>Financial statements are being prepared for the first time in 2015/16, and will require income, expenditure and year end balances between East Dunbartonshire Council, NHS Greater Glasgow &amp; Clyde, and the IJB to be agreed.</p> <p><b>Risk:</b> There is a risk that year end procedures for agreeing year end balances are not fully embedded to enable East Dunbartonshire IJB to present its financial statements in accordance with the Code and in accordance with timescales to meet NHS reporting requirements.</p>	<ul style="list-style-type: none"> <li>• We continued to engage with officers prior to the accounts being prepared to help ensure the relevant information was disclosed and timetable met.</li> <li>• We tested to ensure the governance statement is in accordance with the Code requirements.</li> <li>• We reviewed technical guidance from IRAG and LASAAC.</li> <li>• We ensured accounting policies were appropriate and complete.</li> <li>• We obtained assurances from the auditors of East Dunbartonshire Council and NHS Greater Glasgow &amp; Clyde over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial statements were prepared in accordance with the Code and in accordance with timescales to meet NHS reporting requirements.</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Management assurances</b></p> <p>The preparation of the financial statements of the IJB relies on the provision of financial and non-financial information from the systems of the two partner bodies. The Chief Finance Officer of the IJB must obtain assurances that the costs transferred to the accounts of the IJB are complete and accurate and were incurred on behalf of the IJB for services prescribed in the integration scheme.</p> <p><b>Risk:</b> The Chief Finance Officer does not have adequate assurance that information received from each party is accurate and complete.</p>	<ul style="list-style-type: none"> <li>• We ensured the governance statement adequately reflects the position of IJB.</li> <li>• We ensured that financial reporting throughout the year is accurately reflected in the year end position.</li> <li>• We considered whether appropriate action is taken on issues raised in Internal Audit reports.</li> <li>• We obtained audit assurances from the auditor of the council and health board regarding the accuracy and allocation of IJB transactions and to ensure they are recorded in the correct financial year.</li> </ul>	<ul style="list-style-type: none"> <li>• The governance statement reflected the position of the IJB.</li> <li>• The year end position of the board has been accurately reflected.</li> <li>• Satisfactory consideration has been given to issues raised by Internal Audit.</li> <li>• Satisfactory written assurances were received from the external auditors of the council and health board regarding accuracy, allocation and cut-off of IJB transactions.</li> </ul>
<p><b>Chief Finance Officer</b></p> <p>The Interim Chief Finance Officer will leave the post on 31 March 2016.</p> <p><b>Risk:</b> The post will not be filled by the financial year end and this may impact upon the arrangements for the preparation of the financial statements.</p>	<ul style="list-style-type: none"> <li>• We liaised with the Chief Officer and officers involved in the preparation of the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>• The Chief Finance Officer took up post on 9 May 2016.</li> <li>• The draft financial statements were prepared in line with the agreed timetable.</li> </ul>

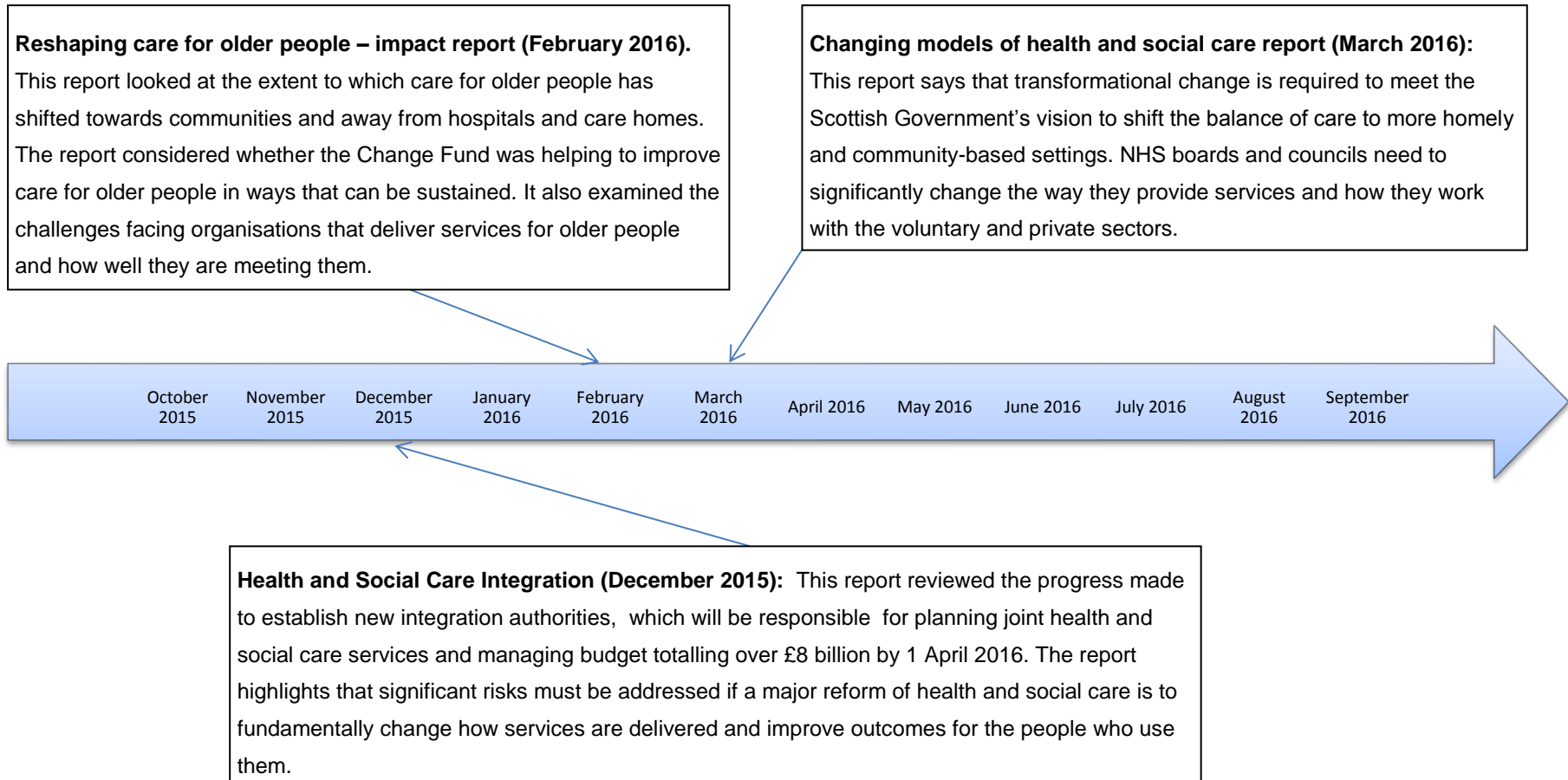
Audit Risk	Assurance procedure	Results and conclusions
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>Financial Sustainability</b></p> <p>The Partnership will need strong financial management and budgetary control to address the challenges and risks to future finances.</p> <p><b>Risk:</b> There Board does not achieve the efficiencies or service improvements required to meet the challenges caused by reduced funding combined with increasing demand for services.</p>	<ul style="list-style-type: none"> <li>• We ensured that the ongoing budget monitoring accurately reflects the position of the IJB.</li> <li>• Obtained evidence of remedial action being taken on areas of overspend.</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing financial monitoring was consistently reported to the Partnership Board. Periodic reports throughout the year did not consistently reflected the year end position due to the use of different accounting periods.</li> <li>• Both East Dunbartonshire Council and NHS Greater Glasgow &amp; Clyde separately reported their own budget position to committee in an accurate and appropriate manner.</li> <li>• From review of budget monitoring reports to the Board, year end variances, service pressures and potential areas of overspend were discussed.</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Annual Performance Report</b></p> <p>The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end.</p> <p><b>Risk:</b> The Board may not be able to comply with this requirement and deadline, given that this is the first year of operation and external guidance regarding how this should be presented is not yet available.</p>	<ul style="list-style-type: none"> <li>• We reviewed the quality of ongoing performance reporting to the Board and Audit Committee.</li> <li>• Considered progress towards issuing the annual performance report and whether this covers the information required by the, still to be issued, guidance.</li> </ul>	<ul style="list-style-type: none"> <li>• Scottish Government guidance issued in March 2016 has advised that the first required publication of the annual performance report is for 2016/17.</li> <li>• The Board has chosen to issue a Performance Report for 2015/16 and it covers most of the areas required by guidelines.</li> </ul>
<p><b>Risk management</b></p> <p>The integration scheme requires that a risk management strategy for the Board should be agreed and in place by 31 March 2016.</p> <p><b>Risk:</b> Without a formal process of risk recognition and management action to assess and mitigate risk there is a danger that the board could suffer loss or harm on the crystallisation of specific risks.</p>	<ul style="list-style-type: none"> <li>• We reviewed the integrated risk management strategy to ensure it adequately covers the risks faced by the Partnership and the proposed management action for mitigating these risks.</li> </ul>	<ul style="list-style-type: none"> <li>• The risk management strategy and the risk register for the Board is currently being consulted on with implementation expected by Autumn 2016.</li> </ul>

# Appendix II: Summary of East Dunbartonshire HSCP local audit reports 2015/16



# Appendix III: Summary of Audit Scotland national reports 2015/16



## Appendix IV: Action plan

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1	15	<p><b>Issue:</b> The Partnership did not comply with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 relating to the notice of public right to inspect and object to the 2015/16 unaudited financial statements of the Board.</p> <p><b>Recommendation:</b> The Partnership should ensure compliance with the 2014 Regulations when the 2016/17 unaudited financial statements are prepared.</p>	<p>The appointment of the Chief Finance &amp; Resources Officer did not happen until the 9th May 2016 (post year end) at which point the preparation of the Annual Accounts commenced. In future years this will involve a local project plan of how this will be delivered including cognisance of timescales for placing advertisements in the local press. The development of a website is also underway which will provide a forum for placing adverts on the Partnership's website where members of the public have a single point of reference.</p>	<p>Chief Finance &amp; Resources Officer March 2017</p>

No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2	55	<p><b>Issue:</b> The Partnership Board did not formally approve a budget for 2016/17.</p> <p><b>Recommendation:</b> The Partnership Board should ensure that future annual revenue budgets are formally approved to provide assurance that they are consistent with the funding received from the council and health board.</p>	<p>The health board did not formally approve it's financial plan until the 28 June 2016 and the report to the Partnership Board on the 11 August 2016 reflected an update on this position. The council has still to allocate the savings attaching to transformational and procurement savings across directorates with corresponding actions to deliver any further efficiencies. These risks have been highlighted in reports to the Partnership Board throughout 2016/17. National work is underway to dovetail health board and council budget setting processes to give earlier indications of the finalised budgets for partnerships.</p>	<p>Chief Finance &amp; Resources Officer</p> <p>Report will be presented to Partnership Board in October 2016 to approve the 2016/17 budget.</p>



No.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3	58	<p><b>Issue:</b> Although the Partnership is forecasting a breakeven position for the Adult Services revenue budget for 2016/17, this does not take account of savings required by partner bodies.</p> <p><b>Recommendation:</b> The Partnership should monitor its financial position closely throughout the year and engage with its funding partners on a regular basis to review the financial position, including the achievement of savings and take appropriate action to address existing and emerging budget pressures.</p>	<p>2016/17 forecasts now include all savings allocations from the health board and this will be reported to the Partnership Board on the 6 October 2016. The Partnership still await the allocation of savings from the council in respect of transformational and procurement savings across directorates with corresponding actions to deliver any further efficiencies. This has been highlighted as a risk to the Partnership.</p>	<p>Chief Finance &amp; Resources Officer Ongoing</p>