



# Falkirk Integration Joint Board

2015/16 Annual Audit  
Report for Members of  
Falkirk Integration Joint  
Board and the Controller  
of Audit

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Fiona Mitchell Knight, Assistant Director, Audit Scotland is the engagement lead of Falkirk Integration Board 2015/16 year.

This report has been prepared for the use of Falkirk 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 Falkirk Integration Joint Board and issued an unqualified independent auditor's report on the accounts for the period to 31 March 2016.
- The Board needs to review its accounts publication processes to ensure compliance with the 2014 Accounts Regulations.

## Financial management & sustainability

- The Integration Joint Board was formally established on 3 October 2015. The costs of managing the Board in the period from establishment to 31 March 2016 totalled £72,000. Costs were fully funded by the partners.
- The Board is required to make savings in 2016/17 of £4.518 million to maintain financial balance. Plans have been put in place to achieve savings of £4.187 million leaving a gap of £0.331 million still to be identified.
- A recovery plan has been put in place to address a forecast overspend of £1.288 million in 2016/17 million due to a combination of budget pressures and inherited overspends relating primarily to adult social care services.

## Governance & transparency

- The Board's internal audit service is provided jointly by the internal auditors of NHS Forth Valley and Falkirk Council. Both these internal audit functions comply with Public Sector Internal Audit Standards.
- The Board approved a number of governance arrangements in 2015/16 (e.g. financial regulations, standing orders, Code of Conduct, risk management strategy). Work is on-going in 2016/17 to further develop and embed its governance arrangements.
- The meetings of the Board are open to the public who also have access to minutes and supporting papers via partners' websites.
- An Audit Committee was established on 22 September 2016 and is open to the public.

## Best Value

- The Board has approved a performance management framework as required by the Public Bodies (Joint Working) (Scotland) Act 2014.
- The Board has yet to fully develop performance measures aligned to the Board's Strategic Plan and which focus on core priorities.

## Outlook

- The Integration Joint 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. The impact on service users and outcomes of these shifts will need to be monitored.

# Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of Falkirk 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 Falkirk Integration Joint Board and is divided into sections which reflect our public sector audit model.
3. The Integration Joint Board is responsible for the activities of the Falkirk Health and Social Care Partnership. 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 Falkirk 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 of the IJB 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>• We are not aware of any events or conditions that 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. We have nothing to report in respect of these statements.</li> <li>• The Board needs to review its accounts publication processes to ensure compliance with the 2014 Accounts Regulations</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 30 June 2016. This was later than the proposed date of 3 June 2016 that was set out in our 2015/16 Audit Plan. This did not have any detrimental impact on the audit as there were minimal transactions recorded through the 2015/16 financial statements. We had already substantively checked these transactions when undertaking the audit of NHS Forth Valley.
12. However, going forward it is important that the financial statements are produced promptly particularly as the Falkirk Integration Joint Board will be fully operational in 2016/17 and figures will be required by NHS Forth Valley and Falkirk Council for inclusion in their group accounts. In particular, NHS Forth Valley's Audit Committee is due to meet on the 9 June 2017 to consider the health board's 2016/17 accounts and recommend them for approval by the Board.

### 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 Board in March 2016.
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 noted that the Board mostly complied with the regulations but there were some areas of non-compliance as detailed in the following paragraphs.
18. The statement of responsibilities and balance sheet were not signed by the proper officer prior to the submission of the unaudited

accounts to the auditor. Management confirmed that these will be duly signed in the audited accounts.

19. The regulations relating to the public inspection of the unaudited accounts were not complied with. In particular, local authorities are required by no later than 17 June (or next working day) to publish a notice detailing the public's right to inspect and object to the accounts including the period during which the unaudited accounts are available for inspection. The Board published the notice on 30 June 2016. The period of inspection was extended by 14 days to compensate for the late publication of the notice.

#### **Recommendation 2**

20. The regulations require the unaudited accounts to be submitted to the appointed auditor no later than 30 June. They also require those charged with governance to consider the unaudited accounts at a meeting no later than 31 August. In FIJB's case this was done at a meeting on 5 August 2016.
21. Whilst the regulations were complied with, it is considered best practice for elected members charged with governance to have formally considered the unaudited annual accounts prior to submitting them to the auditor, and making them available for public inspection. The board should consider this in future years.

## **Materiality**

22. 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 be regarded material by amount may be important for other reasons (for example, an item contrary to law).

23. We summarised our approach to materiality in our 2015/16 Annual Audit Plan. Based on our knowledge and understanding of Falkirk Integration Joint Board we set our planning materiality for 2015/16 at £1,200 (or 1.5% of gross expenditure).
24. On receipt of the financial statements we reviewed our materiality level and revised materiality to £1,100 (approximately 1.5% of gross expenditure). We report all unadjusted misstatements greater than £1,100.

## **Evaluation of misstatements**

25. The audit identified some presentational and monetary adjustments which were discussed and agreed with management. None of these had an impact on the statement of income and expenditure reported to Board on 5 August 2016 when the unaudited accounts were presented for consideration.

## **Significant findings from the audit**

26. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit. We had particular difficulties in agreeing pension disclosures within the remuneration report which delayed completion of the audit. There are no other issues that I require to bring to the attention of members other than those reported elsewhere in this document.

## Future accounting and auditing developments

### Audit appointment from 2016/17

27. Going forward 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, Ernst and Young LLP will be the appointed auditor for the Board for a five year period commencing in 2016/17.

### Code of Audit Practice

28. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It outlines the objectives and principles to be followed by auditors.
29. 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 publicly.

### Health and Social Care Integration

30. The IJB became fully operational on 1 April 2016 when delegated services transferred to the Board from NHS Forth Valley and Falkirk Council. The financial results of the IJB will require to be consolidated into Falkirk Council and NHS Forth Valley's accounts in 2016/17 on the basis of materiality.

31. The Board will have 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 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

32. The Board does not have any assets nor does it directly incur expenditure or employ staff. The Chief Officer is employed by Falkirk Council and seconded to FIJB while the Chief Finance Officer is employed by NHS Forth Valley. All funding and expenditure relating to services managed by the Board are incurred by partner bodies and processed in their accounting records.

### Section 95 officer

33. The Public Bodies (Joint Working) (Scotland) Act 2014 includes an obligation on the Board to appoint a proper officer under section 95 of the Act (CFO). The section 95 officer is responsible for ensuring that appropriate financial services are available to the Board and Chief Officer. The Board appointed a CFO on 29 February 2016, on a temporary basis, until 29 October 2016. A business case for a permanent CFO appointment will be considered by the Board in early course.

### Financial performance 2015/16

34. The Board achieved financial balance in 2015/16. The accounts show that the Board incurred total expenditure of £72,000 mostly comprised of direct salary costs. These costs were fully funded by payments from partner bodies.

## Reserves policy

35. The Board's reserves policy and strategy set out the arrangements for addressing any over or underspends. Where there is an in-year overspend against an element of the operational budget, the Board may decide to increase the payment to the affected body by utilising the balance of the general reserve (if available).
36. In relation to in-year underspends these will be receivable, from the relevant partner, by the Board and carried forward through general reserves.
37. The Board held no reserves at 31 March 2016 as expenditure exactly matched income and there was no balance to carry forward.

## Financial reporting

38. Financial monitoring reports were first submitted to the Board in August 2016 and will feature as a standing item in future. 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.
39. The reports also provide details of significant financial pressures facing the Board, budget recovery plan / savings updates and information on funding strands.
40. 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.

## Financial sustainability

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

## Financial planning

42. The Falkirk Integration Joint Board did not become operational until 1 April 2016. In preparation for the go live date the internal auditors of Falkirk Council and NHS Forth Valley reviewed the methodology and processes for setting the first year's budget. The internal auditors confirmed that the budget setting process was robust and in line with the integration scheme.
43. The Board approved the proposed budget totalling £200.078 million at its meeting on 24 March 2016. This consisted of a net payment of £61.466 million from Falkirk Council, a payment of £130.599 million from NHS Forth Valley and partnership funding streams totalling £8.013 million.
44. The Council approved their element of the IJB budget on 17 February while the health component was approved at a special meeting of Forth Valley Health Board held on 18 March 2016. The respective internal auditors of the council and health board carried out due diligence on the budget process and the amounts forming the opening IJB budget for 2016/17.
45. The internal auditors concluded that processes for determining the budgets were robust and consistent with extant guidance.
46. The opening 2016/17 budget was subsequently increased by £5.901million in June 2016; of which the local authority element

was £0.460 million and the health element £5.441 million. The majority of the health increase (£5.136 million or 94%) was due to the receipt of new non-recurring allocations in year.

47. The IJB's budget requires significant savings to achieve financial balance. Plans have been identified to deliver these required savings. Furthermore, the plans have been risk assessed and a number of the savings options have been identified as high risk and therefore may not be achievable as summarised in the table below.

**Exhibit 1: Integration Board Savings 2016/17**

Partner body	Required savings	Plans in place	Savings with a Red RAG status
<b>NHS Forth Valley</b>	£2.918m	£2.587m	£0.583m
<b>Falkirk Council</b>	£1.600m	£1.600m	£0.270m
<b>Totals</b>	<b>£4.518m</b>	<b>£4.187m</b>	<b>£0.853m</b>

48. The Board needs to deliver savings of £4.518 million. Plans are in place to deliver savings of £4.187 million leaving a gap of £0.331 million still to be identified. Some £0.853 million of planned savings have a red RAG status and may therefore not be achieved.

### Recommendation 3

49. The IJB's Strategic Plan requires the Board to outline the financial plans for the next three years, but the Scottish Government only provided a one year budget for the current year, therefore medium term planning by IJB is on hold until the next budget round where the Scottish Government has stated that a 2/3 year budget picture will be available.

### Recovery plan

50. The IJB's Integration scheme specifies that where an overspend is forecast the partner bodies must agree a recovery plan to balance the budget.

51. A paper was submitted to the Board in March 2016 advising that a budget recovery plan was required. This was driven by a combination of a historical overspend and a projected £2m for 2015/16 relating to Adult Social Care Services. The Board agreed that the Chief Officer set up a leadership group of senior managers from the partnership to develop a recovery plan.

52. In June and August 2016 the Board received updates on the budget recovery plan. The latest update paper highlighted that the Board is facing a £1.288 million projected overspend. Also, the paper noted that of £4.5 million savings required some £0.853 million (approximately 19%) were considered to be high risk and may not be achievable.

53. The Board is taking a number of actions to address the situation including:

- A review of the current care support packages to realise a saving of £0.200m during the year.
- Assessing the implications of implementing the Living Wage in externally commissioned adult social care services, estimating total cost at £3.2m against a budget of £4.4m. The remaining £1.2m to offset against projected overspend in Adult Social Care.

54. Updates on the recovery plan will feature as a standing agenda item at Board meetings so that members are aware of emerging risks and actions being taken to address them.

### Conclusion on financial management and sustainability

55. The Board has recently put in place financial monitoring arrangements to assess performance and while it is too early to assess their effectiveness they do demonstrate elements of good practice. The permanent appointment of a Chief Finance Officer in the near future will help the Board strengthen its financial management.

56. Furthermore, 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 has been put in place to address inherited overspend.

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## Outlook

57. 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.
58. There are significant financial challenges facing the Board not least the following:
- uncertainty about future funding arrangements
  - the need to achieve significant savings in future years
  - implementation of major service redesign and change
  - delivery of outcomes within reduced resources
  - the full year effect of the Living Wage (estimated at £3.2 million for 2016/17)

The maintenance of a sound financial position going forward is dependent on achieving significant savings, managing cost pressures and delivering services within available resources.

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# Governance and transparency

59. The Falkirk Integration Joint Board was formally established on 3 October 2015 but only became fully operational on 1 April 2016 when delegated services transferred to the Board. During this limited period the emphasis was on developing a governance framework.

## Governance framework in 2015/16

60. The Board has published an integration scheme which sets out responsibilities, governance arrangements and delegated services. Also, in March 2016 the Board approved the Strategic Plan which details how services will be delivered over the next two years.
61. The Board is responsible for the management and delivery of health and social care services in the Falkirk area. The Board consists of six voting members including three councillors nominated by Falkirk Council and three non-executive directors nominated by Forth Valley Health Board. In addition, there are 21 non voting members drawn from a wide range of service users and partner organisations.
62. The Board met on a regular basis in 2015/16 and was supported in its work by a Chief Officer (appointed in November 2015) and a Chief Finance 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.

63. The Board also approved a series of documents that will aid its governance from 2016/17, including:
- standing orders (November 2015)
  - internal audit arrangements (February 2016)
  - financial regulations (March 2016)
  - delegation of authority (March 2016)
  - communications framework and protocol (March 2016)
  - clinical and care governance framework (March 2016)
  - information governance including the appointment of a Senior Information Security Officer (SISO) (March 2016)
64. The above arrangements were in place for only a short time and it was too early to assess their effectiveness in 2015/16.
65. Additionally, we took a measure of assurance from the 2015/16 Internal Audit Annual Report which concluded that 'the IJB had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16.

## Internal audit

66. Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall control environment. In February 2016, it was agreed that the Chief Internal Auditor role

would rotate, on a three yearly basis, between the Chief Internal Auditors of NHS Forth Valley and Falkirk Council with the former leading for the initial three year period commencing financial year 2016/17.

67. As external auditors of Falkirk Council and of NHS Forth Valley we carried out a review of the adequacy of the internal audit functions at each of the partner bodies in terms of International Standard on Auditing 610 (*Using the work of Internal Auditors*). We concluded that in each case the internal audit function operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and procedures in place.
68. Other than taking assurance from the findings contained in the 2015/16 Internal Audit Annual Report (refer paragraph 63 above) we did not place formal reliance on any internal audit work.

## Transparency

69. 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.
70. 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.
71. We concluded that the Board has put in place arrangements that support openness and transparency.

## Outlook

72. In 2016/17, the Board continued to develop various aspects of governance including the approval of a Code of Conduct for Members (June 2016) and a Strategic Risk Register.
73. The Board has approved the establishment of an Audit Committee with the first meeting scheduled for 22 September 2016. This will further strengthen governance arrangements within the Board.
74. The Board has also undertaken a review of its overall governance arrangements using a self-assessment checklist developed by internal audit. This together with on-going work will seek to address any gaps in governance during 2016/17 such as the preparation of a Scheme of Delegation.
75. 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 review to ensure they remain 'fit for purpose' and reflect the Board's evolving activities.

# Best Value

76. 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

77. The Public Bodies (Joint Working) (Scotland) Act 2014 and the Integration Scheme for the Board set out the legislative requirements to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
78. 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.
79. 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 Falkirk area, NHS Forth Valley's local delivery plan and the Board's Strategic Plan.
80. The Chief Officer's paper recognises that further work needs to be carried out to progress the performance framework, including:

- Developing performance measures against the Board's Strategic Plan focusing on core priorities.
- Finalising lists of the 'Integration Functions Performance Targets' and the 'Non-Integration Functions Performance Targets'.
- Refinement of the covalent performance management system to support the overall process of performance monitoring.

### Recommendation 4

81. 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.
82. Also, delayed discharges are a standing item on the Board's agenda. Board members are provided with a report outlining progress on meeting the national target that no-one, who is ready for discharge from hospital, should be delayed by more than two weeks. Members also receive a quarterly update of progress against an action plan of improvements.
83. 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

84. 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.
85. **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. The report did highlight NHS Forth Valley's Advice Line For You (ALFY) initiative as an example of innovative practice. This is a nurse-led telephone advice service designed to support older people to remain well at home.
86. **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 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 stated 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.

87. Audit Scotland plans to re-visit health and social integration in future years to assess progress and impact.
88. We noted that the changing models of health and social care report (March 2016) was submitted to the Board in June 2016 for information. The Board is planning to carry out a self-assessment using the checklist accompanying the Audit Scotland's report to identify areas for improvement. This is consistent with good practice.

## Outlook

89. 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.
90. 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.
91. The Board, working with Falkirk Council and NHS Forth Valley, 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.
92. Also it is 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 2015/16.</p> <p><b>Risk:</b> The Falkirk 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 FIJB accounts for completeness.</li> <li>Check the FIJB'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 FIJB's accounts against the Code requirements, as appropriate.</li> </ul> <p>The 2015/16 audited accounts comply with the Code and other relevant guidance.</p>
<p><b>Local Authority Accounts (Scotland) Regulations 2014</b></p> <p>The Falkirk Integration Joint Board (FIJB), 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 FIJB 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 complied with the 2014 regulations except that the public inspection advert was not published by the specified date (17 June).</p> <p><b>Refer Appendix II - action point 2.</b></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>• Confirm that the external auditor of Falkirk Council and NHS Forth Valley has carried out testing of IJB transactions to confirm their validity.</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 March 2016.</li> <li>• Financial transactions substantively checked by external audit</li> <li>• No estimates were 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 FIJB 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 FIJB may not have sufficient resources to fund its delegated functions going forward.</p>	<ul style="list-style-type: none"> <li>• Review the outcome of the Board meeting in March 2016 and assess its implications. The meeting was convened to 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 Falkirk Partnership Strategic Plan was approved on 24 March 2016 and the Board will now oversee the delivery of the Strategic Plan. The plan included a proposed budget as the health element had not been finalised at that date.</li> <li>• Due diligence work was carried out by internal audit who reported that a robust process had been adopted in agreeing the Board’s budget.</li> </ul> <p>Our audit work 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>Falkirk Integration Joint Board are still to approve many of the arrangements and regulations for FIJB 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 of the IJB when it becomes fully operational.</p>	<ul style="list-style-type: none"> <li>• Monitor and review governance arrangements for progress and implementation.</li> <li>• Review disclosures in the governance statement, included within the annual accounts, for progress on governance matters.</li> <li>• Consider 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, standing orders and internal audit provision.</li> <li>• Our audit work confirmed that disclosures in the annual governance statement were consistent with audit evidence we hold on file. The development of the Board’s governance framework was on-going in 2015/16 with further developments required in 2016/17.</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. Their findings were reported to the Board in March 2106. They concluded that robust processes had been carried out to agree the budgets transferring to the Integration Board from the council and health board.</li> </ul> <p>We concluded that during 2015/16 the Board was operating within a governance framework suitable for the implementation phase of the IJB and was developing a governance framework for the period when the IJB takes over operational responsibilities from 1 April 2016.</p>

## Appendix II: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
<p>1.</p> <p><b>MKI Ref (78633)</b></p>	<p>12</p>	<p><b>Issue</b></p> <p>The unaudited accounts of the Board were not received until 30 June 2016 which was later than the proposed date of 3 June 2016 although this did not have a detrimental impact on the audit given the very limited number of transactions included in the Board's 2015/16 accounts. However, the Board became fully operational on 1 April 2016 and its full year financial results will be required to be included in the group accounts of NHS Forth Valley (NHSFV). Any delays in the accounts production process in 2016/17 could impact on the health board's ability to close off its accounts especially as the health board's audit committee is due to meet on the 9 June 2017 to review and recommend the accounts for approval.</p> <p><b>Risk</b></p> <p>The audit of the Board's accounts is delayed and NHS Forth Valley 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 accounting deadlines are met.</p>	<p>A full annual accounts timetable for 2016/17 accounts will be produced and agreed with senior finance officers from the constituent authorities.</p>	<p>Chief Finance Officer</p> <p>31 January 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
<p><b>2.</b></p> <p><b>MKI Ref (78011)</b></p>	<p><b>19</b></p>	<p><b>Issue</b></p> <p>The Board did not comply with the Local Authority Accounts (Scotland) Regulations 2014 regarding the publication inspection notice. The Board is required, by no later than 17 June, to publish a notice detailing the public's right to inspect and object to the unaudited accounts including the period during which the accounts are available for inspection. The Board did not publish the notice until 30 June 2016.</p> <p><b>Risk</b></p> <p>Insufficient notice was given to the public detailing the period during which the unaudited accounts area available for inspection.</p> <p><b>Recommendation</b></p> <p>The public inspection advert is published in line with the timetable set out in the 2014 regulations.</p>	<p>Scheduling of publication to be incorporated into annual accounts timetable.</p>	<p>Chief Finance Officer</p> <p>31 January 2017</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
<p><b>3.</b></p> <p><b>MKI Ref (78697)</b></p>	<p><b>48</b></p>	<p><b>Issue</b></p> <p>The Board requires to address a historical overspend of £2m and ensure the delivery savings of £4.518 million in 2016/17. There are savings plans in place for £4.187 million leaving a gap of £0.331 million which the NHS Forth Valley require to identify alternative plans to address. Moreover, of those planned savings some £0.853 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 should ensure that savings plans are developed identifying how all of the £4.518 million of savings required in 2016/17 will be delivered.</p>	<p>Updates on savings plans delivery and risk and how any residual gap is proposed to be met are incorporated within regular financial reporting to the Board.</p>	<p>Chief Finance Officer 7 October 2016</p>

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
<p><b>4.</b></p> <p><b>MKI Ref (78696)</b></p>	<p><b>80</b></p>	<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 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, as a priority, develop and agree key performance measures to be used in monitoring performance against its core priorities.</p>	<p>The pan Forth Valley performance work stream has been developing performance measures. An update is being presented to the 7 October meeting.</p>	<p>Chief Officer</p> <p>7 October 2016</p>