



Fife Integration Joint Board

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

Date: September 2016

Key contacts

Gillian Woolman, Assistant Director
gwoolman@audit-scotland.gov.uk

Bruce Crosbie, Manager
bcrosbie@audit-scotland.gov.uk

Anne Marie Machan, Senior Auditor
amachan@audit-scotland.gov.uk

Audit Scotland
4th floor
102 West Port
Edinburgh
EH3 9DN

Telephone: 0131 625 1500

Website: www.audit-scotland.gov.uk

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about/).

Gillian Woolman, Assistant Director, Audit Scotland is the engagement lead of Fife Integration Joint Board for the 2015/16 year.

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

Contents

Key messages	3
Introduction	4
Audit of the 2015/16 financial statements.....	5
Governance and transparency	13
Appendix I: Significant audit risks.....	17
Appendix II: Action plan	19

Key messages

Audit of financial statements

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

Financial management & sustainability

- The Board was established on 3 October 2015 with an operational start date of 1 April 2016. Consequently the Board incurred minimal expenditure in 2015/16 which was fully funded by Fife Council.
- A Finance & Performance Committee has been established however it is too early to assess the Board's financial management arrangements. 2016/17 will provide a strong test of these arrangements.
- As at 31 July 2016 an overspend of £11.7 million is forecast. A recovery plan is being drafted.

Governance & transparency

- The Board has established its main governance groups including an Audit and Risk Committee, Finance and Performance Committee and a Clinical and Care Governance Committee.
- The Board's internal audit service is managed by Fife Council's Audit & Risk Services Manager with audit work jointly undertaken by internal auditors at both Fife Council and NHS Fife.
- Further work is required in 2016/17 to ensure the Board is supported by an effective governance framework which facilitates effective and robust decision making.

Best Value

- The Board has established a Finance and Performance Committee and approved a performance framework as required by the Public Bodies (Joint Working) (Scotland) Act 2014.

Outlook

- 2016/17 will be the Board's first year of operational existence. Joint working, prioritisation of service reform and effective financial management will be key to ensuring that integration of health and social care services provides an improved service to the people of Fife in the face of rising demand and financial constraint.

Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of the Board. Our audit appointment is for the period to 31 March 2016, the first accounting period for which the Board is required to prepare financial statements. The report is divided into sections which reflect our public sector audit model.
2. 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.
3. Our responsibility, as the external auditor of the 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.
4. 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.
5. [Appendix I](#) lists the audit risks that we identified in the annual audit plan we issued in March 2016. It summarises the assurances provided by management to demonstrate that risks are being addressed and records the conclusions of our audit work.
6. [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.
7. 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.
8. 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>Audit opinion</p>	<ul style="list-style-type: none"> • We have completed our audit and issued an unqualified independent auditor’s report.
<p>Going concern</p>	<ul style="list-style-type: none"> • The financial statements were prepared on the going concern basis. • The Board set its 2016/17 budget in advance of the NHS Fife’s budget having been approved. However we do not feel this, or any other events or conditions, cast significant doubt on the Board’s ability to continue as a going concern.
<p>Other information</p>	<ul style="list-style-type: none"> • 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 report any material errors or omissions, any material inconsistencies with the financial statements or any otherwise misleading content of the other information. Audit amendments relating to these statements were duly processed and we have nothing else to report in respect of the other information published as part of the annual report and accounts.

Submission of financial statements for audit

9. The financial statements were prepared in accordance with the Local Government (Scotland) 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
10. We received the unaudited financial statements of the Board on the due date of 30 June 2016.

Overview of the scope of the audit of the financial statements

11. 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 2015/16 Annual Audit Plan which was presented to the Audit and Risk Committee on 5 July 2016.
12. 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.
13. 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.

14. 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

15. The Local Authority Accounts (Scotland) Regulations 2014 apply to the statutory annual accounts of the Board. 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 below:
 - 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.
 - The guidance relating to the public inspection of the unaudited accounts was not fully complied with: 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 28 July 2016. The notice period was therefore set as 28 July to 11 August with an inspection period of 12 August to 1 September.

Refer to Action Plan, point 1

16. The regulations require the unaudited accounts to be submitted to the appointed auditor no later than 30 June. The regulations also require members to consider the unaudited accounts at a meeting no later than 31 August. The Board satisfied this requirement in that the Audit and Risk Committee considered them at their meeting held on 5 July 2016. Best practice however, is for those 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 moving to a position of best practice.

Materiality

17. 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).
18. As the Board has no major financial transactions in 2015/16 we did not set a materiality level.

Evaluation of misstatements

19. The audit identified some presentational and monetary adjustments which were discussed and agreed with management. None of these had an impact on the net expenditure reported in

the statement of income and expenditure considered by the Audit Committee on 5 July 2016 when the unaudited accounts were presented for consideration.

Significant findings from the audit

20. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit. The Table below details an issue that in our view requires to be communicated to those charged with governance in accordance with ISA 260.

Table 1: Significant findings from the audit

Significant findings from the audit in accordance with ISA260

The unaudited accounts did not include the remuneration of the Chief Officer or the cost of the 2015/16 external audit. Whilst it is recognised that the Board was not operational in 2015/16, LASAAC guidance established that, from the date of establishment, resources required for the Board to operate will be reflected in the accounts of the Board. In particular where a Chief Officer for the Board has already been appointed before the establishment date, their costs should be charged to the Board from the date of establishment. This guidance is further extended to any running costs incurred for services not being donated to the Board by either Fife Council or NHS Fife.

Resolution: The accounts were amended to reflect the remuneration of the Chief Officer and the audit fee.

Future accounting and auditing developments

Audit appointment from 2016/17

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

Code of Audit Practice

22. 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.
23. 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.

Health and Social Care Integration

24. The Board became fully operational on 1 April 2016 when delegated services transferred to the Board from NHS Fife and Fife Council. The financial results of the Board will require to be

consolidated into Fife Council and NHS Fife's accounts in 2016/17 on the basis of materiality.

25. Scottish Government guidance indicates that the Board is expected to provide financial and non-financial information so that its NHS and Council partners can meet their statutory reporting obligations. This is particularly important for NHS Fife which has earlier reporting obligations than the Board. In 2016/17, when the Board is fully operational, it will be necessary for it 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 deadlines, which for NHS Fife is by 30 June 2017 at the latest.
26. In addition, the Board will need to consider what assurances it is required to provide to the council and health board to support disclosures in their corporate governance statements

Refer to Action Plan, point 2.

Financial management and sustainability

Financial management

27. The Integration Scheme between Fife Council and NHS Fife sets out the method to be applied to determine the allocation of funds to the Board by the parties in respect of all of the functions delegated by them to the Board.
28. The Board does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure relating to services managed by the Board are incurred by partner bodies and processed in their accounting records.
29. The Board's Integration Scheme 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 using the balance of the general reserve (if available). In relation to in-year underspends these should be returned from the relevant partner to the Board and carried forward through general reserves. Where an overspend is forecast the partner bodies must agree a recovery plan to balance the budget. The Board's reserves policy is still to be written. This will be required to be in place in order to manage any reserves in the 2016/17 financial statements.

Refer to Action Plan, point 3

Financial performance 2015/16

30. The Board was not operational during 2015/16. Therefore the income and expenditure of £82,000 shown in the financial statements is limited to salary and audit costs incurred from the date of establishment, 3 October 2015, to the end of the financial year, 31 March 2016. This expenditure was fully funded by payments from the partners.

Financial management arrangements

31. A Chief Finance Officer (CFO), the section 95 officer, was appointed in May 2015 and retired in September 2016. The CFO is not directly employed by Fife IJB and for 2015/16 was an NHS Fife employee. A replacement has been appointed on a temporary six month basis. The transition from the outgoing CFO to the newly appointed one has happened in parallel to the transition from the retiring Chief Officer to a newly appointed Chief Officer. Continued focus is required to ensure the transition in key personnel does not have a detrimental impact on service delivery or the on ongoing development of the Board's financial and governance management arrangements.

Refer to Action Plan, point 4

32. Standing orders and financial regulations were approved in 2015/16. We have concluded that they are appropriate for the Board.

Financial sustainability

Financial planning

33. The process for determining the first year budget for the Board is set out in the Integration Scheme agreed between Fife Council and NHS Fife. Delays to the agreement of the Scottish Government's financial plans meant that the Board's budget for 2016/17 was not formally set at the beginning of the financial year. However indicative budgets were presented to the Board and approved on 17 March 2016. This was based on expenditure of £447.8 million to deliver partnership services with Fife Council contributing £137.4 million, NHS Fife contributing £302.6 million and an additional £8.4 million funding from the Scottish Government to support the Living Wage and existing cost pressures.
34. A due diligence review was carried out by Internal Audit to consider the sufficiency of the 2016/17 budgets transferred to the Board, with the report considered by the Board in March 2016.
35. The March report highlighted a shortfall of £14.9 million in available funding compared to anticipated 2016/17 expenditure. Board members attended a budget workshop in May 2016 to consider service investment and savings proposals, to try and bridge the funding gap whilst delivering the priorities set out in the Strategic Plan. The investment proposals will be partially funded from the Board's £16.8 million share of the £250 million Integration Fund made available by the Scottish Government, £8.4 million of which was for 'additionality' expenditure on items that reflect the strategic plan and the other £8.4 million to support the Living Wage and existing cost pressures as referred to at paragraph 33.
36. As at 31 July 2016 the Board is reporting a projected 2016/17 overspend of £11.7 million. This projection takes account of the investment and savings plans approved in principle by the Board on 4 August 2016. In the 2016/17 financial statements the CFO has highlighted that the resources available to the Board are not sufficient to deliver the services being transferred to the Board.
37. A recovery plan is being drafted which considers potential actions to be taken to reduce the projected overspend. This is to be drafted by the end of September 2016. If recovery plans are insufficient to deliver a break even position in 2016/17 then the Board will need to consider how to address this taking account of the options set out in the Integration Scheme (refer to paragraph 29).
38. It is essential that the Board 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 Board'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.
- Refer to Action Plan, point 5**
39. In August 2016, Fife Council presented a paper to its Executive Committee, outlining the Council's projected financial position in the medium term. This included scenario planning for optimistic, mid-range and pessimistic assumptions which projected a cumulative

three year funding gap ranging from £66.7 million to £140.9 million. NHS Fife is in the process of carrying out a similar exercise. There is a risk that the need to bridge funding gaps within the partner bodies will have an impact on the funding made available to the Board in future years. The Board should ensure it is involved in medium to long term financial planning discussions with both partner bodies to ensure that they are aware of the potential impact on future funding allocations.

Refer to Action Plan, point 6

Conclusion on financial management and sustainability

40. During the period 3 October to 31 March 2016, the Board incurred only small amounts of expenditure. Therefore it is too early to assess the adequacy of financial management. The first full operational year of the Board in 2016/17 will provide a strong test of their financial management arrangements.
41. The financial sustainability of the Board is reliant on the successful delivery of investment and savings proposals. This will be very challenging for the Board, particularly alongside delivering the new integration arrangements. It is important that the Board monitors its financial position closely throughout the year and engages regularly with its main funding partners over its ongoing financial position. It is also important that the Board develops further its longer-term financial planning as the new arrangements for health and social care are implemented.

Outlook

42. NHS Boards and councils have faced several years of financial constraint and this is expected to continue in coming years. The ageing population and increasing numbers of people with long term conditions and complex needs places pressure on health and social care services and finances.
43. Strategic plans, while setting out the broad direction, will need to be clear regarding the Board's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.

Governance and transparency

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

Governance structures

45. The Board was formally established on 3 October 2016 and took on operational responsibility for delegated functions and budgets as from 1 April 2016. The Board has representation from a wide range of service users and partners including eight elected councillors nominated by Fife Council and eight members nominated by NHS Fife.
46. A Chief Officer was appointed in September 2014 and a CFO appointed in May 2015. This was during the shadow period of the Board. In October 2015 the Board confirmed their appointment to the newly established Board to support the 3 October establishment date. The Chief Officer provides strategic and operational advice to the Board while the CFO is responsible for financial management, including budget monitoring reports.
47. The Board meets on a regular basis throughout the year. We attend Board meetings to observe proceedings. This also helps us build up our knowledge and understanding of the Board's business.

Strategic Plan

48. Legislation required the Board to approve a Strategic Plan by 31 March 2016 in order to take on operational responsibility for delegated functions and budgets..
49. A number of other important strands of the Board's governance framework were put in place in 2015/16. These included:
- approval of a risk management strategy
 - approval of standing orders
 - appointment of internal auditors
 - approval of financial regulations.
50. On the basis of the evidence available to us we conclude that the Board had appropriate governance arrangements in place commensurate with its responsibilities in 2015/16.

Internal control

51. All financial transactions of the Board are processed through the financial systems of the partner bodies, Fife Council and NHS Fife. Those financial systems include internal controls which are subject to audit, by both internal and external audit.
52. As there were minimal transactions in 2015/16 there was no requirement for these controls to be tested in relation to the Board. As the appointed external auditor of both Fife Council and NHS Fife in 2016/17, as well as the Board, that team will be able to assess the relevant controls in 2016/17 to assess if there any weaknesses

in the systems of control of the partner bodies that they require to bring to the attention of members of the Board.

Internal audit

53. Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. The Audit & Risk Services Manager of Fife Council has been appointed as the Chief Internal Auditor (CIA) for the Board. The Board approved the Internal Audit Strategy and Internal Audit Charter in July 2016. These establish internal audit's activities, purpose and responsibility in line with the Public Sector Internal Audit Standards (PSIAS) and how the CIA will contribute to the sound management of the Board.
54. Audit work is jointly undertaken by respective internal auditors at both Fife Council and NHS Fife. During 2015/16 we carried out a review of the adequacy of the internal audit functions at each of the partner bodies and concluded that they operate in accordance with the PSIAS and have appropriate documentation standards and reporting procedures in place.
55. In July 2016 the Board approved an internal audit plan covering the period 2016/17-2020/21. This included a strategic plan for the five year period and a 2016/17 operational plan. The plan is high level and provides limited information on the scheduled timing of work or the budgeted resources required to perform the work.

Refer to Action Plan, point 7

56. The Board has established an Audit and Risk Committee which met for the first time on 5 July 2016. This will further strengthen governance arrangements within the Board.

Other governance arrangements

57. The Board has approved a Code of Conduct for members based on the model code and statutory requirements set out in the Ethical Standards in Public Life (Scotland) Act 2000.
58. Members of the public can attend meetings of the Board. Minutes and related papers for Board meetings are available on the Board's website however papers for the Audit and Risk Committee and Finance and Performance Committee are not currently available online, as they are not considered to be public meetings. Making all committee papers and minutes available on the website, other than those restricted under Section 50 (A) of the Local Government (Scotland) Act, 1973, would increase transparency and give residents greater access to relevant and timely information on how the Board is taking decisions and using its resources.

Refer to Action Plan, point 8

Outlook

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

Best Value

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

Performance management

61. The Public Bodies (Joint Working) (Scotland) Act 2014 and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is the requirement for the establishment of performance management arrangements.
62. A Finance and Performance Committee has been established and met for the first time in May 2016. The committee's remit includes implementing a strategy for performance review and monitoring the Board's performance in achieving its priorities and objectives.
63. The Finance and Performance Committee approved a Performance Management Framework in August 2016. The framework establishes a list of indicators and measures which are linked to delivering the National Health and Wellbeing Outcomes. Progress against the national outcomes will be reported to the Board over the period of the Strategic Plan with five areas in particular identified as ones requiring dedicated performance improvement. These are:

- Rate of emergency admissions for adults.
- Readmission to hospital within 28 days of discharge.
- Falls rate per 1,000 population in over 65s.
- Number of days spent in hospital when patients ready for discharge.
- Percentage of people who are discharged from hospital within 72 hours of being ready.

64. 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 it is too early to assess their effectiveness.

National performance audit reports

65. 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.
66. **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.

- 67. Reshaping care for older people – impact report (February 2016):** This report looked at the extent to which care for older people has shifted towards communities and away from hospitals and care homes. The report considered whether the Change Fund was helping to improve care for older people in ways that can be sustained. It also examined the challenges facing organisations that deliver services for older people and how well they are meeting them.
- 68. 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 will not be in a position to make a major impact during 2016/17. The report highlighted that there is broad agreement on the principles of integration. However many Boards 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.
- 69.** Audit Scotland plans to re-visit health and social integration in future years to assess progress and impact.

Outlook

- 70.** 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.

- 71.** There is a general recognition that current models of care are unsustainable and that new models of care are needed. With the right services there is the potential for patients to be discharged more quickly and to decrease the likelihood of admission in the first place, in certain cases.
- 72.** The Board, working with Fife Council and NHS Fife, 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.

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	External audit assurance procedures	Results and conclusions
Risk of material misstatement in the financial statements		
<p>Financial statements process – first year financial statements</p> <p>The financial statements for Fife Integration Joint Board have to be prepared for the first time in 2015/16 for the period from October 2015. The financial statements are required to be prepared in accordance with relevant legislation and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p>Risk: Fife Integration Joint Board is a new body and may not yet have the processes and procedures in place to provide financial information which fully complies with the requirements of the 2015/16 Code.</p>	<ul style="list-style-type: none"> • Audit of the Fife Integration Joint Board's accounts. This will include a review against the requirements of the 2015/16 Code. 	<ul style="list-style-type: none"> • Adjustments were made to the financial statements to reflect the Integration Joint Board's running costs from the 3 October 2015 establishment date until 31 March 2016. • A number of presentational changes were made to the statements; however these did not represent a material error. • Otherwise the financial statements were prepared in accordance with the Code and other relevant guidance.

Audit Risk	External audit assurance procedures	Results and conclusions
<p>Local Authority Accounts (Scotland) Regulations 2014</p> <p>The regulations stipulate that unaudited accounts are required to be submitted to external audit no later than 30 June and to be considered by the Board (or a committee whose remit includes audit or governance) by 31 August. The regulations also require that the audited accounts be approved by the Board (or a committee whose remit includes audit or governance) by 30 September.</p> <p>Scottish Government guidance indicates that the Board is also expected to provide financial and non-financial information so that its NHS and Council partners can meet their statutory reporting obligations. This is particularly important for NHS Fife which has earlier reporting obligations than the Board.</p> <p>Risk: Regulation deadlines are not met or the required information is not supplied to NHS Fife and Fife Council by the agreed date.</p>	<ul style="list-style-type: none"> • Confirmation that the appropriate information is submitted timeously. • Confirmation that the unaudited accounts are considered and the audited accounts approved by the respective deadlines. 	<ul style="list-style-type: none"> • The Board mostly complied with the 2014 regulations. However, the public inspection advert was not published by the specified date (17 June) and the statement of responsibilities and balance sheet were not signed by the proper officer before the draft accounts were submitted to the auditor. Refer to Action Plan, point 1. • The Board's draft financial statements were made available on 30 June 2016. In 2016/17, appropriate financial and non-financial information will be required in time to allow NHS Fife to approve the accounts by 30 June 2017. Refer to Action Plan, point 2.

Appendix II: Action plan

No. Page/ Para.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1. 6/15	<p>Compliance with Local Authority Accounts (Scotland) Regulations 2014</p> <p>The Board did not fully comply with the Local Authority Accounts (Scotland) Regulations 2014 because:</p> <ul style="list-style-type: none"> the statement of responsibilities and balance sheet were not signed by the proper officer prior to the submission of the draft accounts to the auditor. it did not publish an inspection notice by the 17 June. The notice details the public's right to inspect and object to the unaudited accounts over a prescribed period. The Board published the notice on 28 July 2016. <p>Risk</p> <p>Insufficient notice is given to the public detailing the period during which the unaudited accounts are available for inspection.</p> <p>Recommendation</p> <p>The 2016/17 public inspection advert should be published in line with the timetable set out in the 2014 regulations and the draft accounts should be signed in compliance with those regulations.</p>	To ensure that this does not reoccur these actions will be included in the timetable for the 2016/17 annual accounts.	Chief Finance Officer February 2017

No. Page/ Para.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
2. 9/24-26	<p>Preparation of the annual report and accounts</p> <p>The unaudited accounts of the Board were received by the due date of 30 June 2016. Scottish Government guidance indicates that the Board is expected to provide financial and non-financial information so that its NHS and Council partners can meet their statutory reporting obligations. This is particularly important for NHS Fife which has earlier reporting obligations than the Board. In 2016/17, when the Board is fully operational, it will be necessary for financial and non-financial information to be available earlier as they will be required by NHS Fife for inclusion in their group accounts. NHS Fife is due to conclude the audit of their group accounts by 30 June 2017 at the latest.</p> <p>Risk</p> <p>A delay in providing the appropriate financial and non-financial information may result in the NHS Fife not audit being completed in line with Scottish Government deadlines.</p> <p>Recommendation</p> <p>A timetable for providing appropriate financial and non-financial information should be agreed, in consultation with partners to ensure that all accounting deadlines are met.</p>	<p>Consultation will take place with partners to ensure that all accounting deadlines are met. The deadlines and action required will be included in the timetable for the 2016/17 annual accounts.</p>	<p>Chief Finance Officer February 2017</p>

No. Page/ Para.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3. 10/29	<p>Reserves policy</p> <p>The Board's reserves policy has still to be prepared and approved. The policy will be required to set out the Board's approach to maintaining reserves to manage in-year underspends (which should be returned from the relevant partner to the Board) and overspends. This will be required to be in place in order to manage any reserves in the 2016/17 financial statements.</p> <p>Risk</p> <p>The Board will have no clear direction about how underspends and overspends should be managed in consultation with its Council and NHS partners.</p> <p>Recommendation:</p> <p>The Board should approve its reserve policy for 2016/17.</p>	A reserve policy for 2016/17 will be prepared and presented to the Board for approval	Chief Finance Officer February 2017

No. Page/ Para.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
<p>4. 10/31</p>	<p>Changes in key personnel A Chief Finance Officer (CFO) was appointed in May 2015 and retired in September 2016. A replacement has been appointed on a temporary six month basis. The transition from the outgoing CFO to the newly appointed one is happening in parallel to the transition from the retiring Chief Officer to a newly appointed Chief Officer.</p> <p>Risk Changes in key personnel may have a detrimental impact on service delivery and the ongoing development of the Board's financial and governance management arrangements.</p> <p>Recommendation The Board should ensure appropriate handover arrangements are in place when replacing key personnel and that there is no loss of impetus in developing its management arrangements.</p>	<p>Appropriate handover arrangements were in place for both changes in key personnel. This approach will take place for any future change in key personnel.</p>	<p>Chief Officer As required</p>

No. Page/ Para.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
5. 11/36-38	<p>2016/17 Projected overspend</p> <p>As at 31 July 2016 the Board is forecasting a budget overspend of £11.7 million. A recovery plan is being drafted which will consider potential actions to be taken to reduce the overspend. If recovery plans are insufficient then the Board will need to consider how to address this taking account of the options outlined in the Integration Scheme.</p> <p>Risk</p> <p>The Board may overspend on its 2016/17 budget and fail to reach agreement with its partner bodies about how to address the deficit. Slippage in the development and agreement of a recovery plan may have a detrimental impact on service delivery.</p> <p>Recommendation</p> <p>The Board should 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>	The board engages with its funding partners on regular basis. This will continue.	Chief Officer Ongoing

No. Page/ Para.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
6. 12/39	<p>Financial pressures of partner bodies</p> <p>Both Fife Council and NHS Fife are facing funding gaps and will need to identify efficiency savings to bridge them.</p> <p>Risk</p> <p>Funding allocations to the Board may be reduced.</p> <p>Recommendation</p> <p>The Board should engage with its funding partners in medium to long term financial planning discussions to ensure they are aware of the potential impact on future funding allocations.</p>	<p>A medium term plan will be prepared and presented to the Integration Joint Board. This will include the potential impact of future funding allocations.</p> <p>This plan will be prepared in consultation with the funding partners.</p>	<p>Chief Financial Officer</p> <p>November 2016</p>
7. 14/55	<p>Internal audit plan</p> <p>The Board has approved a five year strategic audit plan for the period 2016/17 - 2010/21 which incorporates a 2016/17 operational plan. The plan is high level and provides limited information on the scheduling of work or budgeted resources required.</p> <p>Risk</p> <p>There may be lack of clarity over the internal audit work to be performed and the required resource to perform it.</p> <p>Recommendation</p> <p>A more detailed Internal Audit plan should be prepared for review and approval.</p>	<p>A more detailed audit plan will be presented to the next Integration Joint Board Audit and Risk Committee.</p>	<p>Integration Joint Board Chief Internal Auditor.</p> <p>March 2017</p>

No. Page/ Para.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
8. 14/58	<p>Accessibility of information</p> <p>The Board's website hosts relevant information in relation to Board meetings including agendas and papers of Board meetings. However papers for the Audit & Risk Committee and Finance & Performance Committee are not currently published on the website.</p> <p>Risk</p> <p>The public or other relevant stakeholders are unable to find information about how the Board operates or how it is taking decisions and using resources.</p> <p>Recommendation</p> <p>The Board should consider making all committee papers available on its website with the only restrictions being papers that are restricted under Section 50 (A) of the Local Government (Scotland) Act, 1973.</p>	We shall consider making all committee papers available on the website with the only restrictions being papers that are restricted under Section 50 (A) of the Local Government (Scotland) Act 1973	Head of Legal Services and Committee Administrator March 2017