

# Clackmannanshire and Stirling IJB

2016/17 Annual Audit Report



 AUDIT SCOTLAND

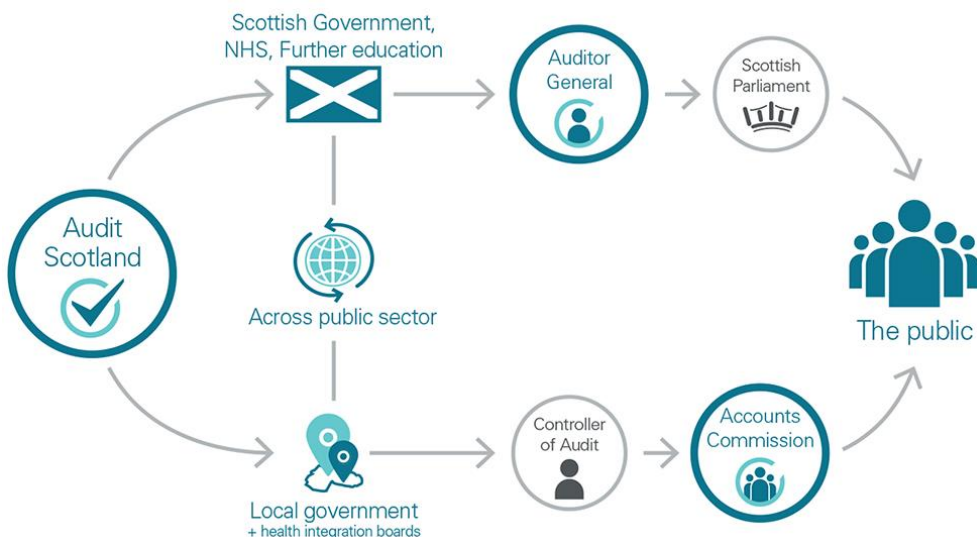
Prepared for the Clackmannanshire and Stirling Integration Joint Board and the Accounts Commission

14 September 2017

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Key messages

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## 2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

## Financial management

- 2 The IJB has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.
- 3 The IJB returned a surplus of £3.412 million in 2016/17. This was mainly achieved due to income received in 2016/17 which will be used to finance expenditure in 2017/18. This surplus has resulted in a reserve balance, of which £2.724m is earmarked for specified purposes and £0.688 million is un-earmarked and can be used for general purposes.

## Financial sustainability

- 4 Following its agreement of a budget recovery plan in June 2017, the IJB approved a budget which will fully utilise the un-earmarked balance brought forward of £0.688 million. The budget incorporates approved efficiency savings of £4.844 million that are necessary to achieve financial balance in 2017/18.
- 5 It is important that the IJB prioritises long term financial planning to demonstrate financial sustainability and support future developments.

## Governance and transparency

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.
- 7 We obtained audit assurance over the accuracy and completeness of financial transactions processed by the partner bodies.
- 8 The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.

## Value for money

- 9 The audit findings included throughout this report, comment on arrangements that have been put in place by the Joint Board to secure Best Value in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.
- 10 Performance against the national Health and Wellbeing Outcomes is good, with the IJB performing above or in line with the national average in 13 out of the 19 national core integration indicators.

# Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Clackmannanshire and Stirling Integration Joint Board, hereby referred to as the 'the IJB'. The report is divided into sections which reflect our public sector audit model.
2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2017 meeting of the Audit Committee. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

## Exhibit 1

### Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:
  - an interim audit of the IJB's governance arrangements
  - obtaining service auditor assurances from the auditors of NHS Forth Valley (NHSFV), Stirling Council (SC) and Clackmannanshire Council (CC)
  - an audit of the IJB's 2016/17 annual accounts and the issue of an independent auditor's report setting out our opinions.
4. The IJB is responsible for preparing the annual accounts that show a true and fair view and, for establishing effective arrangements for governance, which enable them to successfully deliver their objectives.
5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and

supplementary guidance, and are guided by the auditing profession's ethical guidance.

6. These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
8. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 18\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
9. Communication in this report of matters arising from the audit of the annual accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the Board and the Accounts Commission and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
12. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2016/17 annual accounts



### Main judgements

**Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.**

**No significant weaknesses in internal controls were identified in the systems used to process IJB transactions.**

### Unqualified audit opinions

- 13.** The annual accounts for the year ended 31 March 2017 were approved by the Board on 14 September 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements;
  - unqualified opinions on the management commentary, remuneration report and the annual governance statement.
- 14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

### Submission of annual accounts for audit

- 15.** We received the unaudited financial statements on 26 June 2017, which was behind our agreed audit timetable but within the statutory deadline. Financial information was provided to the IJB in a timely manner from the partner authorities in order to allow them to produce the accounts before the statutory deadline. The partner authorities also provided the IJB with assurance letters confirming that the figures were complete and accurate.
- 16.** The working papers provided with the unaudited financial statements were of a satisfactory standard and the Chief Finance Officer provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

### Risks of material misstatement

- 17.** [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and conclusions.

## Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.
19. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. On receipt of the annual accounts, we reviewed our materiality calculations and re-calculated them based on the figures included in the accounts.

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## Exhibit 2

### Materiality values

Materiality level	As stated in our Annual Audit Plan	Amount finally determined
<b>Overall materiality</b> - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017 based on the most up to date budget figures available at the time.	£1.650 million	£1.765 million
<b>Performance materiality</b> - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality.	£0.825 million	£0.883 million
<b>Reporting threshold</b> - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality.	£0.016 million	£0.018 million

## Evaluation of misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit.
22. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. There were no unadjusted errors above the reporting threshold which impact the council's primary financial statements.

## Significant findings

23. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1](#) has been included.



## Exhibit 3

### Significant findings from the audit of the financial statements

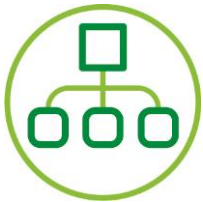
Issue	Resolution
<p><b>1. Hospital Acute Services (Set Aside)</b></p> <p>The accounts include £19.816 million set aside costs for hospital acute services. The budget and expenditure reported for the set aside is equal and based on the historic use of acute services in the area. The figures are provided by NHS Forth Valley. Partners agreed that this would be managed by NHS Forth Valley with no in year financial consequences on the partnership.</p> <p>The set aside sum recorded in the 2016/17 financial statements does not therefore fully reflect actual hospital use.</p>	<p>The Comprehensive Income and Expenditure Statement in the annual accounts correctly incorporates the set aside costs that was agreed between partners.</p> <p>This is a transitional agreement for 2016/17 that was agreed by the Scottish Government. Therefore the disclosure in the accounts has been accepted.</p>

### Other Findings

- 24.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

# Part 2

## Financial management



### Main judgements

**The IJB has appropriate and effective budgetary processes arrangements in place which provide timely and accurate information for monitoring financial performance.**

**Satisfactory arrangements are in place to identify and report the income and expenditure incurred by partner bodies. This could be improved through further alignment**

### Financial management

25. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.
26. 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 Finance 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 IJB
  - 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
  - IJB members provide a good level of challenge and question budget holders on significant variances.
27. We reviewed the financial regulations and standing orders, which were created on the formation of the IJB and consider these to be comprehensive.
28. Financial performance reports are taken to each meeting of the Board. These are held approximately every two months. The reports give a projection of the year end position for each of the partner bodies along with any changes made to the budget since the last reporting date.
29. The finance teams of NHS Forth Valley, Stirling Council, and Clackmannanshire Council operate independently, use different financial

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

systems, and report separately to the IJB Chief Finance Officer. The current reporting arrangements pose challenges for aligning financial monitoring data for the IJB. There is a risk that the efficiency and effectiveness of integrated budget monitoring information is affected. Although the IJB has recognised this risk, there is still progress to be made to ensure the alignment of financial reporting.

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## Recommendation 1

### Partner financial reporting should be aligned to improve the efficiency of the IJB's financial monitoring

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#### Financial performance in 2016/17

30. The IJB does not hold any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.
31. The integration scheme sets out the arrangements between the IJB and the partner bodies regarding the treatment of any over or underspends. The scheme states that where planned underspends occur, these can be retained by the IJB in line with its reserves policy.
32. The financial statements report a surplus of £3.412 million for 2016/17. This consists of an underspend for budgets delegated to NHS Forth Valley of £2.458 million, an underspend for budgets delegated to Stirling Council of £0.954 million, and a break even position for budgets delegated to Clackmannanshire Council.
33. The break even position reported above for Clackmannanshire Council incorporated an in year overspend of £0.685 million. Clackmannanshire Council agreed to meet this overspend in 2016/17 on a non-recurring basis through additional funding in line with the terms of the integration scheme in relation to the first year of operations only. The overspend by Clackmannanshire Council was satisfactorily reported to the IJB during the year and was mainly due to overspending on residential care and re-enablement services as a result of a combination of demand related cost pressures and unachieved savings targets.
34. The greater part of the surplus of £3.412 million is due to income received from partners in 2016/17 that will cover funding for projects to be completed in 2017/18. As a result, £2.724 million of the surplus (and general fund balance) is earmarked for specific expenditure in 2017/18. Therefore, the un-earmarked surplus returned by the IJB is £0.688 million. A budget summary for the year is shown in [Exhibit 4](#).

## Exhibit 4

### Budget Summary

<b>IJB budget objective summary</b>	<b>Budget £m</b>	<b>Actual £m</b>	<b>Variance £m</b>
NHS Forth Valley	130.759	128.301	2.458
Clackmannanshire Council	16.518	16.518	0
Stirling Council	32.594	31.640	0.954
<b>Total Net Expenditure</b>	<b>179.871</b>	<b>176.459</b>	<b>3.412</b>
Surplus (from NHS Forth Valley to be retained by the IJB –earmarked)	0	1.795	1.795
Surplus (from NHS Forth Valley to be retained by the IJB –un earmarked)	0	0.663	0.663
Surplus (from Stirling Council to be retained by the IJB - earmarked)	0	0.929	0.929
Surplus (from Stirling Council to be retained by the IJB - unearmarked)		0.025	0.025
<b>Earmarked Reserves</b>	<b>0</b>	<b>2.724</b>	<b>2.724</b>
<b>Un-earmarked Reserves</b>	<b>0</b>	<b>0.688</b>	<b>0.688</b>

Source: Clackmannanshire & Stirling IJB Financial Report for Year Ended 31 March 2017

35. The main reasons for the un-earmarked underspend were:

- Underspends in budgets delegated to Stirling Council for care and support at home, residential care and day care centres which were offset by overspends in respite care and housing with care.
- Underspends in budgets delegated to NHS Forth Valley for district nursing services, community addictions and community learning disability services which were offset by overspends in primary medical services.

### Internal controls

36. The IJB relies on the health board and both councils for its key financial systems such as the ledger and payroll. All transactions are processed through the respective partners' systems and all the controls over systems are within these bodies, rather than the IJB.

37. As part of our audit approach we sought assurances from the external auditors of NHS Forth Valley, Clackmannanshire Council and Stirling Council (in accordance with ISA 402) and confirmed there were no significant weaknesses in the systems of internal controls for the health board and both councils.

## **Standards of conduct and arrangements for the prevention and detection of bribery and corruption**

- 38.** The IJB has a range of activities in place designed to maintain standards of conduct including a Code of Conduct for members. In addition, a register of members' interests is in place for Board Members and senior officers and these are available to view on the respective partner websites.
- 39.** As part of the assurances obtained from the external auditors of the partner organisations, it was confirmed that each of the partner organisations had in place effective policies for bribery and corruption, including established whistleblowing procedures for officers.
- 40.** Based on our review we concluded that the IJB has effective arrangements in place for the prevention and detection of bribery and corruption and we are not aware of any specific issues that we need to record in this report.

# Part 3

## Financial sustainability



### Main judgements

**The IJBs financial position is sustainable but challenging. The IJB is carrying forward £0.688 million of un-earmarked reserves from 2016/17 and the approved 2017/18 budget will fully utilise this. The 2017/18 budget is based on achieving identified efficiency savings of £4.844 million.**

**The IJB will require significant savings to be made in the medium to longer term and should take steps to develop medium to long term financial plans to demonstrate financial sustainability and support future strategic objectives.**

### Financial planning

41. The IJB allocates the resources it receives from the health board and councils in line with the Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget provided for the IJB.
42. As reported in the previous section of this report at paragraph 34, the IJB achieved a surplus of £3.412 million in 2016/17. The greater part of this surplus (£2.724 million) was due to additional funding received during the year for projects that will be carried into 2017/18.
43. The 2017/18 Revenue Budget was approved at the Board meeting on 29 March 2017. This was based on estimated expenditure of £172.456 million (excluding reserves) to deliver partnership services, with Stirling Council contributing £31.449 million, Clackmannanshire Council contributing £15.341 million and NHS Forth Valley contributing £116.988 million. The £8.678 million remaining funding is made up of: non-recurring NHS funding; integrated care fund and delayed discharges funding; and integration (social care) funding not included within local authority resource transfers
44. When the budget was set in March, there was a budget gap of £1.784 million, although this included the forecast overspend for Clackmannanshire Council for 2016/17 which was subsequently financed by the council. Given this funding gap and the financial risks associated with this, a budget recovery plan was prepared in line with the terms of the integration scheme.
45. The budget recovery plan was submitted to the Board in June 2017. This projected an overspend of £0.676 million which will be financed by the un-earmarked general fund balance. The recovery plan includes a list of additional proposed savings and highlights where a redesign of services is required if this is to be achieved.

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

46. The revised budget incorporates projected savings of £4.844 million that partner bodies required to achieve (SC: £1.111 million; CC: £1.277 million; NHSFV: £2.456 million).
47. While the updated assessment of financial risk in the recovery plan is an improvement from the assessment presented to the Board in March 2017, there is still a risk of overspend which could be heightened by any delay in implementing measures to reduce costs.

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## Recommendation 2

**The IJB should ensure that proposed savings contained in the 2017/18 budget and the recovery plan are implemented otherwise there is a risk of a significant overspend in 2017/18.**

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48. The IJB does not currently have a medium to long term financial plan in place. We are aware that the IJB is fully funded from both the partner councils and the Health Board and that funding from the Scottish Government to these partner organisations is set on a year-on-year basis. However, this should not preclude the IJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning for possible budget changes.

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## Recommendation 3

**Longer term financial planning should be developed to take account of any required future budget savings pressures and to demonstrate a link to the objectives set out in the three year strategic plan.**

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## Reserves strategy

49. The IJB was established under section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes. It is therefore permitted to hold reserves.
50. The IJB approved its reserves strategy at the Audit Committee meeting in February 2017. The policy outlines the type of reserves the IJB are allowed to hold. Monies held in the general reserve can be used as a working balance in order to manage the impact of uncertain cash flows. As part of the reserves policy, a maximum target level for un-earmarked general reserves of £1.25m has been approved, which is approximately 0.75% of the partnership budget.
51. The strategy will be reviewed annually to ensure all financial changes and challenges facing the IJB and its constituent partners are taken into account in determining the appropriate level of reserves.
52. We are satisfied that the IJB's reserves policy sets out the circumstances in which reserves can be created, and the governance arrangements for their use.

## Efficiency savings

53. NHS Boards and Councils have faced several years of financial constraints and this is likely 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.

54. The maintenance of a sound financial position going forward is dependent on achieving the efficiency savings to bridge the gap between available funding from current sources and the cost of services.
55. The IJB requires to make efficiency savings to maintain financial balance. In 2016/17 the IJB had an efficiency savings target of £2.518 million. While the overall break even target was met, the IJB has yet to fully implement a mechanism to track the approved efficiencies which were incorporated into the annual budget. A process for monitoring efficiencies was initiated during 2016/17, with further developments planned for 2017/18. Effective monitoring and tracking of efficiencies would reduce the risk that savings plans are not fully delivered in year.

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## Recommendation 4

**The IJB should finalise the implementation of a mechanism for tracking the progress of all efficiencies incorporated into the annual budget.**

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# Part 4

## Governance and transparency



### Main judgements

**The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.**

**The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers**

### Governance arrangements

- 56.** The Clackmannanshire and Stirling Integration Joint Board was formally established on 24 June 2015 but did not have operational responsibility in 2015/16 for delegated services. These services were delegated to the Board on 1 April 2016. The Board has representation from a wide range of service users and partners including three elected councillors nominated by Stirling Council, three elected councillors nominated by Clackmannanshire Council and six directors nominated by NHS Forth Valley.
- 57.** The Board is responsible for the management and delivery of health and social care services in the Clackmannanshire and Stirling area and is supported by an Audit Committee. The IJB is also supported in its work by a Chief Officer and Chief Finance Officer. The former provides strategic and operational advice to the Board while the latter is responsible for financial management including budget monitoring reports.
- 58.** The Board and Audit Committee met on a regular basis throughout the year. We review minutes of Board and Audit Committee meetings to assess their effectiveness. We also periodically attend meetings of the Audit Committee and selected Board meetings as observers.
- 59.** As part of the wider review of governance arrangements across the public sector, we completed a follow-up of the 'Role of Boards' national report, published in September 2010. This involved a review of documentation, discussions with key officers and attendance at committee meetings. From this work we found:
- a good level of challenge being applied to decision making at the committee meetings we attended.
  - high standards of conduct and behaviour from members
  - processes are in place for member training and development to ensure that all members have the appropriate training to succeed in their role
  - board papers are of sufficient quality to enable members to grasp the issues being presented and to make informed decisions

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

- good reporting of performance

**60.** We concluded that, overall, the IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

## Internal audit

**61.** Internal audit provides the IJB and Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

**62.** Internal Audit services are provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Chief Internal Auditors agreed that Stirling Council's Audit Manager should be nominated as Chief Internal Auditor for the initial three-year period, covering the financial years up to 31 March 2019. This was approved by the Integration Joint Board in April 2016.

**63.** We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

**64.** To avoid duplication of effort we place reliance on the work of internal audit wherever possible. We did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However we did consider internal audit report findings regarding the IJBs governance arrangements as part of our wider dimension work.

**65.** The Internal Audit Annual Report was presented to the Audit Committee on 16 August 2017 and concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the IJB's governance arrangements. The Report also identified areas for development in future years, including:

- An update to the Scheme of Delegation in light of the ongoing evolution of Partnership arrangements
- A review of the Board Development Programme, taking particular account of the development requirements of the Board as a whole, and new members following the local government elections in May 2017
- Submission of an Internal Audit Charter to the Audit Committee for consideration and approval during 2017/18
- Development of an overarching Local Code of Corporate Governance to demonstrate compliance with the principles set out in the Delivering Good Governance in Local Government Framework

**66.** The Chief Finance Officer intends to develop an action plan in order to track the IJB's progress towards the suggested improvements as laid out in the report.

## Risk management

**67.** We reviewed the risk management arrangements within the IJB to assess their effectiveness and appropriateness. This included consideration of the Risk Management Strategy which was approved by the Board on 30 March 2016. The Strategy sets out the IJB's vision for risk management and updates are

reported to meetings of the Board on a regular basis. We have also reviewed the IJB's Strategic Risk Register.

- 68.** Based on our review of the evidence we concluded that the IJB has appropriate risk management arrangements which are subject to regular review by the Board.

## Transparency

- 69.** Transparency means that the public, in particular, local residents have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.
- 70.** The IJB's purpose and vision are outlined in its Strategic Plan. The plan outlines a number of national and local policies, strategies and the key priorities going forward. The Strategic Plan sets out the actions that the partnership will take and provides a basis for measuring how well they are doing and how these are linked to the Board's priorities and the national outcomes.
- 71.** Full details of the meetings held by the Board are available through the NHS Forth Valley website and meetings of the Board are open to the public to attend. The website also contains a section for the Audit Committee and papers are available to view. This demonstrates the IJB's commitment to transparency.
- 72.** The public have a right to inspect and object to the annual accounts. An advertisement was placed in the Stirling Observer explaining to the public that the unaudited accounts were available to view at the IJB offices and were also accessible on the IJB website.
- 73.** Overall, we concluded that the IJB conducts its business in an open and transparent manner.

## Other governance arrangements

- 74.** The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The Strategic Plan and locality planning arrangements enable partners to engage in and support the delivery of the health and social care provision.

# Part 5

## Value for money



### Main judgements

The IJB's first annual performance report was presented to the Board in June 2017, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

Performance against each of the national Health and Wellbeing Outcomes is good, with the IJB performing above or in line with the national average in 13 out of the 19 national core integration indicators that are currently active.

### Best Value

**75.** Local government bodies, including IJBs, have a statutory duty to make arrangements to secure Best Value (BV) through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.

**76.** Value for money is a key element of our audit approach. The audit findings included throughout this report comment on arrangements that have been put in place by the Joint Board to secure BV in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.

### Performance management

- 77.** In order to demonstrate value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.
- 78.** The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
- 79.** The Board receives detailed performance reports on a quarterly basis and these are available to view on the IJBs website. The performance reports show the IJB's performance against the five local outcomes that the IJB have identified which link directly to the Strategic Plan.
- 80.** The Strategic Plan identifies five local outcomes that are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice. The local outcomes require to be met to achieve the IJBs eight strategic objectives that are set out in the Strategic Plan. The five local outcomes are:

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

- Self Management - of Health & Wellbeing
  - Community Focused Supports – to live well for longer at home or in a homely setting
  - Safety – Health & Social Care support systems keep people well and safe
  - Decision Making – Individuals, carers and families are involved in and supported to manage decisions about their care
  - Experience – Individuals will have a fair and positive experience of Health & Social Care
- 81.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan (if applicable).
- 82.** A draft performance report was submitted to the Board on 27 June 2017 for approval. The report provides details of the IJB's performance information against the Core Suite of Integration Indicators and includes comparative information against similar IJBs and Scotland as a whole. The report also contains details on the IJB's financial performance during 2016/17 and brief information on best value.
- 83.** The IJB's performance against each of the national Health and Wellbeing Outcomes is good, in particular within the percentage of adults aged 18 years and older with intensive care needs receiving care at home; people being supported to live as independently as possible; the standard of Care Services, emergency hospital admissions and use of emergency beds. However, there are certain areas identified where there is scope for improvement. The performance report indicates that the IJB is performing above average in 13 out of the 19 identified national indicators but there is scope for improvement in the following 6 areas:
- Percentage of adults supported at home who agree that their services and support had an impact on improving or maintaining their quality of life
  - Readmission to hospital rate within 28 days per 1,000 persons
  - Premature mortality rate per 100,000 persons aged under 75 years old
  - Percentage of carers who feel supported to continue in their caring role
  - Percentage of adults supported at home who feel safe
  - Percentage of adults supported at home who agree that their health and care services seemed to be well co-ordinated
- 84.** The IJB are aware that improvements are required in these areas and are in the process of identifying methods to achieve further progress against each of the outcomes.

### National performance audit reports

- 85.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 3](#) accompanying this report.

- 86.** There are arrangements in place within the IJB to consider these national reports. The key points and recommendations from the reports are identified and management provide a response or a follow up action to these if required.
- 87.** In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home. We also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. The scale of the change is significant and will not happen quickly. Audit Scotland will therefore carry out a second audit in 2018, now that integration authorities are more established. This will look at progress and follow up on the risks identified in the initial report. The audit will also examine recent changes, including evidence of shifts in service delivery from acute to community-based and preventative services, and will assess to what extent IJBs can demonstrate whether there has been an impact on the lives of local people.

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
11	<p><b>1. Integrated Financial Reporting</b></p> <p>The finance teams of each of the partner bodies operate independently, use different financial systems, and report separately to the IJB Chief Financial Officer. The poses challenges of aligning financial monitoring data for the IJB.</p> <p><b>Risk</b></p> <p>There is a risk that the efficiency and effectiveness of integrated budget monitoring information is impaired.</p>	<p>Partner financial reporting should be aligned to improve the efficiency of the IJB's financial monitoring.</p>	<p>The IJB Chief Finance Officer will continue to work closely with Finance Teams to consolidate, align and streamline financial reporting as far as is possible. A review of financial reporting will be undertaken to facilitate this.</p> <p>Chief Finance Officer</p> <p>December 2017</p>
15	<p><b>2. Financial Planning – funding gap</b></p> <p>An overspend of £0.676 million was projected for 2017/18 which requires efficiency savings of £4.844 million identified by partners and approved by the IJB to be achieved to meet this.</p> <p><b>Risk</b></p> <p>There is a risk that the budgeted outturn is not achieved if the proposed efficiencies are not achieved.</p>	<p>The IJB should ensure that proposed savings contained in the 2017/18 budget and the recovery plan are implemented otherwise there is a risk of a significant overspend in 2017/18.</p>	<p>Financial reports to the IJB will include detail on options for, and actions to bring expenditure in line with resources available.</p> <p>Chief Finance Officer</p> <p>October 2017</p>
15	<p><b>3. Financial Planning – longer term planning</b></p> <p>The IJB does not currently have a medium to long term financial plan in place. We are aware that the IJB is fully funded from both the partner councils and the Health Board and that funding from the</p>	<p>Longer term financial planning should be developed to take account of any required future budget savings pressures and to demonstrate a link to the objectives set out in the three year strategic plan.</p>	<p>A medium term financial strategy to support delivery of the Strategic Plan is in development and will be presented to the IJB in December 2017 including information on key financial risks, trends in demand for services and intelligence on</p>



**Page  
no.**

**Issue/risk**

**Recommendation**

**Agreed management  
action/timing**

Scottish Government to these partner organisations is set on a year-on year-basis. However, this should not prevent the IJB from preparing longer term plans based on assumptions about the future and strategic plan requirements.

**Risk**

The absence of longer term financial planning increases the risk of the IJB not being able to achieve its strategic objectives.

available resource levels.

Chief Finance Officer

December 2017

**16**

**4. Efficiency Savings**

The IJB has not yet fully implemented a mechanism to track the approved efficiencies incorporated into the annual budget.

**Risk**

This increases the risk that all savings plans are not fully delivered in year.

The IJB should develop a mechanism for tracking the progress of all efficiencies incorporated into the annual budget

Work is on-going to further develop the tracking mechanisms for savings and efficiencies and ensuring consistency with financial reporting.

Chief Finance Officer

December 2017



# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Risk of management override of controls</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. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Confirmation of testing by external auditors of the partner bodies for journal entries, and testing over the completeness, accuracy and allocation of income and expenditure. This was confirmed through written assurances. There were no issue identified.</p> <p>The accounting estimates made in the preparation of the annual accounts were reviewed and considered to be reasonable.</p> <p>No significant transactions outside the normal course of business were identified during the audit process.</p> <p>No fraud concerns were identified from our work in relation to the risk of management override of control.</p> <p>Our conclusion is that there is no evidence of management override of controls at the council.</p>
<p><b>2 Preparation of Financial Statements</b></p> <p>Operational financial statements are required for the first time in 2016/17, and are more complex than in the prior year.</p> <p>There is a risk that the procedures for agreeing the year end balances are not fully embedded; and that this may not be agreed in time to enable NHS Forth Valley to meet its deadline for approving and</p>	<p>We will continue to engage with officers prior to the accounts being prepared to help ensure the relevant information is disclosed and timetable met.</p> <p>We will review the governance statement against the Code requirements.</p> <p>Check that accounting policies are appropriate and complete.</p> <p>Obtain assurances from the auditors of each of the partner bodies over the accuracy,</p>	<p>We had on-going communication with the Chief Finance Officer over the preparation of the accounts to ensure relevant information was included within the annual accounts.</p> <p>The IJB met the agreed timetable for the provision of information to the health board and for the preparation of its own annual accounts. The IJB provided information to the health board within the agreed timescale and the IJB accounts were prepared and submitted to audit within the</p>

Audit risk	Assurance procedure	Results and conclusions
<p>reporting its accounts by 9 June 2017. There is also a risk that the annual accounts are not in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the UK (the "Code").</p>	<p>completeness and appropriate allocation of the IJB ledger entries.</p> <p>Review of compliance with accounting standards as part of financial statements audit.</p>	<p>overall required timetable.</p> <p>Compliance with accounting standards and legislation was assessed during the accounts audit process. No issues were identified.</p> <p>The governance arrangements at the IJB were assessed against Code requirements.</p> <p>Assurances were received from the auditors of NHS Forth Valley, Stirling Council and Clackmannanshire Council. They provided sufficient assurance over the completeness, accuracy and allocation of IJB costs.</p> <p>Our conclusion is that the financial statements meet the requirements of the Code.</p>

<p><b>3 Governance statement and 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 three partner bodies. The Chief Finance Officer of the IJB must obtain assurance; 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>There is a risk that the Chief Finance officer does not have adequate assurance that information received from each party is accurate and complete.</p>	<p>Assess whether the governance statement adequately reflects the position of the IJB.</p> <p>Confirm financial reporting throughout the year is accurately reflected in the year end position.</p> <p>Consider whether appropriate action is taken on issues raised in Internal Audit reports.</p> <p>We will obtain audit assurances from the auditor of the councils and health board regarding the accuracy and allocation of IJB transactions; and obtain confirmations that they are recorded in the correct financial year.</p>	<p>Considered the governance statement disclosures against wider knowledge and knowledge of the IJB and concluded that the governance statement adequately reflects the position of the IJB.</p> <p>Assurances were received from the auditors of NHS Forth Valley, Stirling Council and Clackmannanshire Council. Copies of the assurances the IJB received from the health board and councils were provided by the Chief Finance Officer. They provided sufficient assurance over the completeness, accuracy and allocation of IJB costs.</p> <p>Our conclusion is that sufficient arrangements were in place to ensure there was adequate assurance over the figures incorporated into the IJBs accounts.</p>
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### Risks identified from the auditor's wider responsibility under the Code of Audit Practice





















<p><b>4 Financial sustainability - 2016/17 budget overspend</b></p> <p>Based on the current budget monitoring report covering the period to 30th November 2016, there is a projected overspend of £0.924 million. It is anticipated that the IJB budget recovery action will not produce a balanced financial position for the partnership in 2016/17 and</p>	<p>Review whether budget monitoring is robust and accurately reflects the financial position.</p> <p>Confirm and assess the steps taken to determine and agree future savings requirements with partner bodies.</p> <p>Review evidence of recovery plan or remedial action being</p>	<p>The year end budget outturn position was an underspend of £3.214m. A reserves balance was created of which £2.724m was earmarked for future spending and the remaining £0.688m is included in the unearmarked general reserve.</p> <p>Stirling Council took steps to reduce costs in services delegated to them.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>as such there is a risk that constituent authorities with projected overspends will be required to provide additional non-recurrent funding to meet the projected in-year cost of providing delegated services.</p>	<p>taken on areas of overspend.</p>	<p>Clackmannanshire Council also managed to reduce some of their costs but also agreed to make an additional non recurring contribution of £0.685 million in order to achieve a balanced position at the year end.</p> <p>While non recurrent funding required to be made, our conclusion is that the Board were kept fully informed of the financial position during the year.</p>
<p><b>5 Financial sustainability - financial planning</b></p> <p>The IJB's 2017/18 budget is still being developed. The savings required for 2017/18 are likely to be more challenging than those required in 2016/17. There is high projected growth in demand and increased costs to fund the living wage, self directed support and home care. If recurring savings are not agreed for the 2016/17 financial year the challenge of meeting the savings gap will increase. There is a risk that delays in agreeing the 2017/18 budget will impact negatively on the financial management of the IJB and service delivery.</p>	<p>Review outcome of due diligence exercise.</p> <p>Review of the effectiveness of the IJB's financial plans.</p> <p>Review of the IJB's progress in agreeing a budget and savings proposals for 2017/18.</p>	<p>The IJB's budget was approved at the March 2017 Board meeting.</p> <p>The budget identified that £4.844 million of savings are required to be made during 2017/18. A Budget Recovery Plan Update was taken to the Board in June, which laid out the financial risks across the partnership and the savings proposals in place in order to achieve a balanced budget in 2017/18.</p> <p>Our conclusion is that the IJB has taken appropriate steps to set a viable budget for 2017/18 but there are risks if the efficiency savings identified can not be achieved.</p>
<p><b>6 Reserves Policy</b></p> <p>The integration scheme outlines that the IJB has the power to hold reserves and highlights that any future year contributions from reserves should be in line with the reserves policy.</p> <p>Until the reserves policy is approved and in place, there is a risk that the IJB may be unclear on how it utilises reserves or accounts for under and overspends.</p>	<p>Monitor progress of reserves policy and comment, as appropriate, in the annual audit report.</p> <p>Check that the agreed reserves policy adequately outlines how the IJB is able to hold reserves in the event of future managed over or underspends.</p>	<p>The IJB's Reserves Policy was approved at the Audit Committee meeting in February 2017.</p> <p>The Reserves Policy outlines the type and nature of reserves that the IJB can hold. It states an optimal level of reserves and how the balance can be used to help fund future years' budget.</p> <p>Our conclusion is that an appropriate reserve policy has been approved and is in accordance with the integration scheme.</p>

# Appendix 3

## Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

### IJB relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#) – October 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

# Clackmannanshire and Stirling IJB

## 2016/17 Annual Audit Report

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