

East Dunbartonshire Integration Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

To the Members of East Dunbartonshire Integration Joint Board and the Controller of Audit

26 September 2017

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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

2016/17 annual accounts

- 1 The financial statements of East Dunbartonshire Integration Joint Board (the IJB) for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.
- 2 We have issued an unqualified independent auditor's report on the IJBs Annual Accounts for 2016/17.

Financial management

- 3 The IJB has an established budgeting and budget monitoring process. This provides transparent reporting of the budget and forecast outturns throughout the year.
- 4 The IJB achieved a surplus of £4 million in 2016/17. This will assist in managing financial pressures in future years.

Financial sustainability

- 5 A breakeven position is forecast for 2017/18, but this relies on £5.1 million of savings being achieved.
- 6 A medium to long term financial plan should be developed to demonstrate financial sustainability and support future developments.

Governance and transparency

- 7 The IJB has effective governance arrangements in place that support the stewardship of resources and scrutiny of performance by the Board.
- 8 Internal audit arrangements and expectations need to be further clarified and formalised.
- 9 The IJB is open and transparent however, current arrangements could be further improved, with easier public access to information on the services provided.

Value for money

- 10 The statutory publication deadline for the annual performance report was achieved for 2016/17.
- 11 The IJB should develop systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on its arrangements to promote continuous improvement and value for money in service provision.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of East Dunbartonshire Integration Joint Board (hereby referred to as the IJB), commonly known as the East Dunbartonshire Health & Social Care Partnership.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 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 Greater Glasgow & Clyde (NHSGGC) and East Dunbartonshire Council (EDC)
 - an audit of the IJB's 2016/17 annual accounts.
4. The management of the IJB is responsible for preparing 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 \(page 21\)](#). 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 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 Joint Board and the Accounts Commission and will be published on Audit Scotland's website 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

The financial statements of the IJB for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.

We have issued an unqualified independent auditor's report on the Annual Accounts for 2016/17.

Unqualified audit opinions

13. The annual accounts for the year ended 31 March 2017 will be approved by the Audit Committee on 26 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- unqualified opinions on the audited parts of the remuneration report, management commentary and the annual governance statement.

14. We also concluded that 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 the IJB's resources and its performance in the use of those resources.

Submission of annual accounts for audit

15. We received the unaudited annual accounts and supporting working papers on 9 June 2017, in line with the agreed timetable within the Annual Audit Plan. Following the audit a number of presentational changes and amendments were made to the annual accounts. Our expectation is that these improvements will be reflected in the 2017/18 annual accounts.

16. Information on year-end balances was provided by the IJB to NHSGGC by the pre-agreed timetable for NHS consolidation purposes.

17. Assurances over the hosts' relevant governance arrangements were provided by each host, as part of the accounts preparation process.

18. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided support to the audit team to support the delivery of the audit.

Risks of material misstatement

19. [Appendix 2 \(page 24\)](#) 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

20. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement.

21. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited annual accounts and is summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

| Materiality level | Amount |
|---|----------------|
| Overall materiality - 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. | £1.524 million |
| Performance materiality - 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 60% of overall materiality. | £0.914 million |
| Reporting threshold - 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. | £15,000 |

Evaluation of misstatements

22. There were no misstatements which had an impact on the unaudited annual accounts.

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 \(page 21\)](#) has been included.

Exhibit 3

Significant findings from the audit of the financial statements

| Issue | Resolution |
|---|---|
| <p>1. Hospital Acute Services (Set Aside)</p> <p>Partners agreed that hospital acute services would be managed by NHSGGC with no in year financial consequences to the IJB. The "set aside" budget is the IJB's share of the budget for delegated acute services provided by large hospitals. Included within the total IJB expenditure for 2016/17 is £17.381</p> | <p>The Comprehensive Income and Expenditure Account in the annual accounts correctly incorporates the set aside costs.</p> <p>This is a transitional arrangement for 2016/17 that was agreed by the Scottish Government. Therefore this disclosure in the 2016/17 annual accounts has</p> |

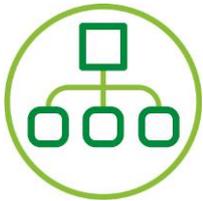
| Issue | Resolution |
|--|--|
| <p>million “set aside” costs for hospital acute services.</p> <p>The budget and actual expenditure reported for the “set aside” are equal. The figure is based on 2014/2015 activity levels for hospital inpatient and day case activity and provided by NHS National Services Scotland’s Information Services Division.</p> | <p>been accepted.</p> <p>Action Plan (Appendix 1, point 1)</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 an established budgeting and budget monitoring process. This provides transparent reporting of the budget throughout the year and forecasting of year end outturn.

A surplus of £4 million is reported in 2016/17 and is retained as a reserve. This will assist the IJB to achieve financial balance in future years.

Key controls within the main financial systems of both partner bodies were operating satisfactorily

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 & Resources 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
- members provide a good level of challenge and question budget holders on significant variances.

27. The IJB does not have any assets, nor does it directly incur expenditure or employ staff. All funding and expenditure is incurred by partner bodies and processed in their accounting records. The Chief Finance & Resources Officer was in post throughout the accounting year, and is responsible for ensuring that appropriate financial services are available to the IJB and the Chief Officer.

28. Delays to the agreement of the Scottish Government's financial plans meant that the IJB's budget for 2016/17 was not formally set at the beginning of the financial year. The Council's budget was set in March 2016 and NHSGGC's budget was formally approved on 28 June 2016. The Board received a report in August

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

2016 which provided the forecast outturn against the 2016/17 revenue budget for the IJB. This report highlights that the IJB's 2016/17 total budgeted expenditure for Adult Services is £135.633 million, comprising of contributions from the Council and NHSGGC of £40.5 million and £95.133 million respectively.

29. In addition to the above, in August 2016 a separate report presented to the Board provided details of the Children's Health, Children's Social Work and Criminal Justice Services revenue budgets for 2016/17. The report outlined that the revenue budget provided by the Council for the delivery of Children's Social Work and Criminal Justice Services was £11.4 million and £1.3 million of revenue budget had been made available by NHSGGC for the delivery of Children's Health Services. Children's Health, Children's Social Work and Criminal Justice Services were transferred to the IJB on 11 August 2016.

30. Our 2015/16 Annual Audit Report identified that the Board had not formally approved the IJB's 2016/17 revenue budget. As a result of our recommendation, in October 2016 the Board formally approved the IJB's 2016/17 net revenue budget of £148.070 million, which had been adjusted to £145.892 million by 31 March 2017.

31. The Board is responsible for scrutinising financial and operational performance and ensuring that prompt corrective actions are taken where appropriate. To discharge this duty it needs timely and comprehensive budget monitoring information, including projections of the year end position. Five budget monitoring reports were reported to meetings of the Board during 2016/17. These reports identify the projected year-end outturn at the start of the year was a breakeven position although an increasing year-end underspend was projected throughout the year with the actual underspend at the year-end reflected in the annual accounts (£4 million). The budget monitoring reports include all of the hosted services (Oral Health) spend.

32. Oral health services are hosted and delivered by East Dunbartonshire IJB on behalf of all other IJBs in the NHSGGC area. Conversely, other services are hosted and delivered by other IJBs in the NHSGGC area on behalf of East Dunbartonshire IJB. We are satisfied with the format, content and frequency of the budget monitoring reports presented to the Board.

Financial performance in 2016/17

33. The financial outturn is analysed in [Exhibit 4](#). The underspend of £4 million has been retained by the IJB with the reserves being apportioned between earmarked and contingency funds.

Exhibit 4

Budget Summary

| IJB budget objective summary | Funding £m | Expenditure £m | Variance £m |
|---|----------------|-------------------|----------------|
| NHS Greater Glasgow & Clyde (NHSGGC) | 96.797 | 93.719 | (3.1) |
| East Dunbartonshire Council (EDC) | 49.095 | 48.120 | (0.9) |
| Total Net Expenditure | 145.892 | 141.839 | (4.0) |
| Surplus retained by the IJB comprises: | | | |
| Earmarked reserves for health services | - | - | 2.4 |
| Earmarked reserves for social care services | - | - | - |

| IJB budget objective summary | Funding | Expenditure | Variance |
|------------------------------|---------|-------------|----------|
| | £m | £m | £m |
| Surplus from health services | - | - | 0.7 |
| Surplus from care services | - | - | 0.9 |

Source: Final Outturn Report 2016/17

34. The 2016/17 Financial Outturn Report was presented to the Board meeting in June 2017 and highlights the main reasons for the £4 million underspend as follows:

- £1.240 million underspend on NHS Community budgets as a result of capacity within the integrated care fund and delayed discharge allocations, with funding for the intermediate care service being mainlined as a result of continued positive trends on care home placements creating further surpluses on delayed discharges which will be used in 2017/18 for service re-design to improve discharge processes further
- £1.7 million underspend from Social Care Fund allocated to deliver on the living wage commitment across care homes, care at home and housing support services. Funding of £2.15 million was allocated to the IJB for this purpose with only a 6 month commitment attached to the delivery of this agenda from October 2016. In addition, EDC agreed to meet the care home element for 2016/17 from Council reserves which contributed to this underspend.
- £0.459 million underspend in Children and Criminal Justice Service budgets as a result of vacancies across the service including social work teams, community resources team, the children's residential unit and additional income to support two seconded posts. A number of posts are in the process of being filled and this will be an area which will be reviewed as part of structure considerations in 2017/18.

Internal controls

35. The IJB does not have any financial systems of its own.

36. All financial transactions of the IJB are processed through the financial systems of NHSGGC and EDC. The key financial systems it relies upon include general ledger, trade payables, trade receivables and payroll.

37. International Standard on Auditing 402 obliges us, as the external auditor to the IJB, to obtain sufficient appropriate audit evidence regarding the systems of internal control used to produce the transactions and balances in the Joint Board's Annual Report and Accounts. We concluded that the key controls within the main financial systems of both partner bodies were operating satisfactorily and that no significant risks were identified

Part 3

Financial sustainability



Main judgements

A breakeven position is being forecast for 2017/18, but this relies on £5.1 million of savings being achieved.

There are no financial plans which look beyond 2017/18. Medium to long term financial plans should be developed to demonstrate financial sustainability and support future developments.

Financial planning

38. The IJB allocates the resources it receives from the NHSGGC and EDC in line with the Strategic Plan. The 2017/18 financial plan was presented to the Board in March 2017. The financial plan highlights that the Council set its budget in February 2017 and although NHSGGC Board met in February 2017 to approve the amounts to be allocated to IJBs, NHSGGC did not formally set its budget until June 2017.

39. The report identifies that the budget allocation to the IJB (£52.4 million from the Council and £79.5 million from NHSGGC which excludes the set aside for acute hospital sites) is extremely challenging. It reflects what the Chief Finance & Resources Officer considered to be the worst case scenario level of funding for financial planning. The report highlights that officers have concerns over how the financial settlements were allocated from NHSGGC and in particular the decision taken by NHSGGC to reduce the 2017/18 funding allocations to IJB's in the NHSGGC area for unachieved savings dating back to 2015/16 in respect of former Community Health (Care) Partnerships (CH(C)Ps). As a result, the report recommended that the Board consider the detail of the funding allocation from NHSGGC and the impact this will have on the IJB's ability to deliver its strategic priorities and not accept the offer made by the NHSGGC. The report also recommended that the Board instruct the Chief Officer to formally write to the Chief Executive of NHSGGC to advise of the Board's decision and progress further discussions to reach an acceptable financial settlement for the IJB for the services delegated by NHSGGC.

40. In June 2017, the Board considered a 2017/18 revenue budget update report which identified a revised total anticipated budget for the IJB of £148.7 million (£51.7 million from EDC and £97 million from NHSGGC including the set aside for acute hospital sites) and also highlighted that discussions with the Chief Executive of NHSGGC were ongoing regarding the IJB's financial settlement.

41. The most recent budget monitoring report for 2017/18 was presented to the Board meeting at the end of August 2017. The report highlights that, as at 31 July 2017, the IJB is reporting a projected breakeven position at the year end. The report also provides an update on discussions with NHSGGC and states that an agreement has been reached on the outstanding issue detailed in Paragraph 39 above. The Board approved the agreement proposed by NHSGGC.

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.

42. The revenue budget monitoring report also provides an update on the IJB's funding gap of £5.1 million for 2017/18. The report highlights that, although £4.6 million of savings measures had been previously identified, there are a number of areas where there has been a delay in progressing these savings measures. This leaves a projected gap and savings shortfall of £1.2 million, including £0.5 million of savings measures still to be identified. Although the IJB has reserves of £5.3 million which can be used to provide some in year capacity to address this residual funding gap, savings measures to address this gap will have to be identified on a recurring basis.

43. There are no financial forecasts or savings plans which look beyond 2017/18 and therefore we conclude that there are no medium to long term financial plans in place. We realise that the IJB is fully funded from both host bodies and that funding from the Scottish Government to these organisations is on a year-on-year basis. However, this should not preclude the IJB from preparing medium to long term financial plans based on demand and resource assumptions using sensitivity analysis and scenario planning. Longer term financial planning is an area that Audit Scotland has been encouraging in both NHS and Local Government and this should also be adopted by IJBs.

[Action Plan \(Appendix 1, point 2\)](#)

Reserves strategy

44. The reserves policy of the IJB was approved at the Board meeting on 11 August 2016. The integration scheme and the reserves policy set out the arrangements between the partners for addressing and financing any overspends or underspends. Both documents highlight that underspends in an element of the operational budget arising from specific management action may be retained by the IJB to either fund additional in year capacity, or be carried forward to fund capacity in future years of the Strategic Plan. Alternatively, these can be returned to the partner bodies in the event of a windfall saving.

Workforce planning

45. The IJB relies on the workforce plans of the host bodies. The IJB's Annual Performance Report 2016/17, approved by the Board in June 2017, acknowledges that its own workforce planning is at an early stage of development. Work is ongoing to understand the characteristics and demographics of the current workforce before developing plans for its future workforce, to support its Strategic Plan. The workforce plans are supported by a learning and education plan which helps all staff to implement change in the way services are delivered.

46. The Organisational Development programme for staff is being developed to take forward the 20:20 Vision priorities: Leadership, Service Improvement, Culture, and Team Development. The Organisational Development Action Plan, linked to the Workforce Development Plan, sets out the process by which to address these four priorities with staff during 2017/18.

47. Regular updates on workforce planning are presented to meetings of the Board during the year, including the minutes of meetings of the East Dunbartonshire Staff Forum whose membership includes staff from health and social care services and trade union officials.

Part 4

Governance and transparency



Main judgements

The IJB has effective governance arrangements in place that support the stewardship of resources and scrutiny of performance by the Board.

Risk management arrangements are embedded with regular reporting to the Board.

Internal audit arrangements and expectations need to be further clarified and formalised.

The IJB is open and transparent however, current arrangements could be further improved, with easier public access to information on the services provided.

Governance arrangements

48. The integration scheme between the EDC and NHSGGC sets out the IJB's responsibilities for the management and delivery of health and social care services in East Dunbartonshire.

49. Standing Orders for the IJB were approved when it was established in July 2015. Schemes of Delegation clarify the functions delegated by EDC and NHSGGC to the IJB. These delegate operational management of services to the IJB's Chief Officer.

50. The integration scheme also sets out the key governance arrangements. The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements. The Board comprises a wide range of service users and partners including three elected councillors nominated by EDC and three non-executive directors nominated by NHSGGC.

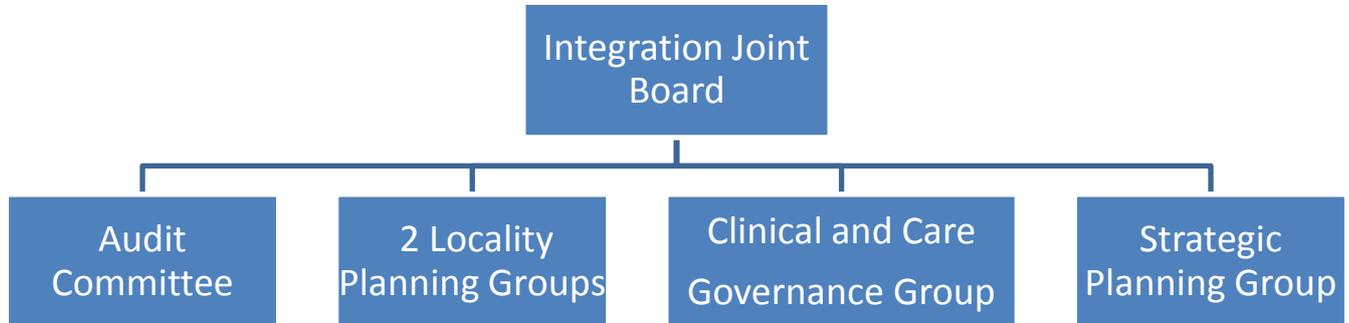
51. The IJB's Chief Officer provides overall strategic and operational advice, and is directly accountable to the Board for all of its responsibilities. The Chief Officer is accountable to both the Chief Executive of EDC and the Chief Executive of NHSGGC. The Chief Officer also provides regular reports to both partners which include national and local developments in relation to the implementation of the Public Bodies (Joint Working) (Scotland) Act 2014.

52. The Board is supported by groups illustrated at [Exhibit 5](#).

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.

Exhibit 5

Committees and Groups at East Dunbartonshire Integration Joint Board



53. The Board and each of the groups met on a regular basis throughout the year. We reviewed Board minutes and Audit Committee minutes to ensure they are fulfilling their responsibilities. We also periodically attend meetings of the Audit Committee. Additionally, we attend selected Board meetings to observe how they perform and we concluded that these meetings are well attended and demonstrate an appropriate level of discussion and scrutiny.

54. The Clinical and Care Governance Group reports through the Chief Officer to the Board on a regular basis. The membership reflects the professional groups, including nursing, medical, social work and primary care colleagues. The role of the Clinical and Care Governance Group is to consider matters relating to Strategic Plan development, governance, risk management, service user feedback and complaints, standards, education, learning, continuous improvement and inspection activity.

55. We concluded that effective governance and scrutiny arrangements are in place and they provide a framework for effective organisational decision making in the IJB.

Internal audit

56. Internal audit provides the Board and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes. Internal audit services are provided by the internal auditors at both EDC and NHSGGC. As part of our routine planning process we carry out an early assessment of the internal audit function to determine whether it has sound documentation standards and reporting procedures in place and complies with the requirements of Public Sector Internal Audit Standards (PSIAS). A review of the adequacy of the respective internal audit functions was carried out by the external auditors of the host bodies from which an assessment was made in relation to the IJB. We concluded that internal audit at each partner body operates in accordance with the PSIAS and has sound documentation standards and reporting procedures in place.

57. In 2015/16 we reported that there was no mechanism in place for NHSGGC's internal auditor, PricewaterhouseCoopers (PwC), to consult with the Audit Committee of the IJB regarding the audit work they planned to carry out relating to the IJB, nor was there a protocol for PwC reports to be presented to the Audit Committee. Late in 2016 PwC agreed to share NHSGGC annual audit plans and annual audit reports with the IJB's Chief Internal Auditor. However, they do not share copies of individual internal audit reports or attend meetings of the IJB's

Audit Committee. The Audit Committee members need to have access to all audit reports which are relevant to the IJBs activities, to enable them to properly discharge their governance responsibilities. A protocol should be agreed with the internal auditors of NHSGGC to facilitate this.

[Action Plan \(Appendix 1, point 3\)](#)

58. EDC's Audit & Risk Manager (who is also the IJB's Chief Internal Auditor) concluded in the 2016/17 internal audit annual report that reasonable assurance can be placed on the adequacy and effectiveness of EDC's systems of governance, risk and internal control. The internal auditor at NHSGGC, PwC, concluded in the 2016/17 internal audit annual report that NHSGGC's systems of governance, risk management and control were generally satisfactory. Both of these conclusions mean that reasonable assurance can be placed on the adequacy and effectiveness of the IJB's systems of governance, risk and internal control.

Risk management

59. An updated risk management policy and strategy was approved by the Board at a meeting on 31 August 2017. Risk management updates are provided to the Board and Audit Committee on a regular basis to ensure that all Board members are sighted on the risks and management arrangements.

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

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

61. The Board requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies. In August 2016 the Board agreed to adopt the template Code of Conduct for Integration Joint Boards which had been produced by the Scottish Government.

62. Based on our review of these arrangements we concluded that the IJB has effective arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

Transparency

63. 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.

64. A significant amount of the IJB's business is transacted through the Board, Audit Committee, or through the groups listed at [Exhibit 5](#). Although minutes and related papers for the Board are available through the EDC website, other committee/group papers are not publicly available. We highlighted in our 2015/16 Annual Audit Report that the IJB should consider developing its own website, although the IJB has expanded its own section within the EDC website. The IJB should enhance transparency by publishing papers submitted to standing committees and groups. Where papers include confidential information these can be withdrawn or redacted as appropriate.

[Action Plan \(Appendix 1, point 4\)](#)

65. Although there is no barrier to members of the public attending meetings of the Board, there is no information available to the public on how to arrange attendance. In an effort to increase transparency, a number of public sector organisations broadcast meetings live on the web and/or make recordings of

meetings available via their websites. As part of the commitment to openness and transparency, the IJB should consider whether greater public engagement could be achieved through promotion of public attendance at meetings and/or the use of technology to reach a wider audience.

[Action Plan \(Appendix 1, point 5\)](#)

66. Overall we concluded that the IJB is open and transparent and found no evidence to suggest that information is unjustifiably withheld from public scrutiny. We have, however, made recommendations where we believe that the current arrangements could be enhanced.

Other governance arrangements

67. 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 2015-2018 and locality planning arrangements enable partners to engage in and support the delivery of the health and social care provision.

68. In March 2017 the Scottish Public Services Ombudsman (SPSO) issued guidance and a template to help IJBs develop an appropriate complaints handling procedure. The IJB's social work complaints handling policy and procedure, based on SPSO guidance, was approved by the Board at a meeting on 31 August 2017.

Part 5

Value for money



Main judgements

The statutory publication deadline for the annual performance report was achieved for 2016/17.

Quarterly performance reports are reviewed by the Board.

The IJB should put in place arrangements to demonstrate that it is delivering Best Value by promoting continuous improvement and value for money in service provision.

Best Value

69. Local government bodies, including Integrated Joint Boards, have a statutory duty to make arrangements to secure Best Value, 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.

70. The audit findings included throughout this report, comment on arrangements that have been put in place by the IJB to secure Best Value in areas such as the financial position, financial management, governance and performance management arrangements. While there is evidence of some elements of Best Value being demonstrated by the IJB, there is no mechanism for formal review. Arrangements should be put in place to assess and report on its how the IJB demonstrates Best Value, promoting continuous improvement and value for money in service provision.

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

[Action Plan \(Appendix 1, point 6\)](#)

Performance management

71. The integration scheme sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.

72. The IJB needs to demonstrate how it aims to achieve value for money in providing services. To drive this, effective arrangements for scrutinising performance, monitoring progress towards strategic objectives and holding partners to account should be in place.

73. The IJB's Strategic Plan 2015-2018 includes measures and targets, which forms part of the IJB's overarching performance framework and were prepared by the Strategic Plan Steering Group. The Group comprises senior managers and service managers from the Council and the Community Health Partnership. The measures and targets demonstrate the IJB's progress against the priorities set out in the Strategic Plan and take account of national core indicators for integration, local delivery targets and relevant Single Outcome Agreement (SOA) targets.

74. The Board is provided with quarterly performance reports to update on progress against the proposed targets and measures, with narrative to describe progress and actions for improvement. We are satisfied with the format and the content of these reports which provide an adequate level of information to Board members.

75. The IJB is required to publish an annual performance report within four months of the year end, i.e. 31 July 2017. The IJB's annual performance report for 2016/17 was considered by the Board at its meeting of 22 June 2017 and approved for publication in advance of the deadline.

76. Of the 38 key performance indicators reported, at the end of 2016/17, 21 performance indicators were demonstrating positive performance against target (i.e. target met), 10 were showing negative performance against target (i.e. target not met) and 7 performance indicators had no current data available.

National performance audit reports

77. 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, some of which are of direct interest to the IJB. These are outlined in [Appendix 3 \(page 27\)](#). Processes are in place to ensure that all national performance reports and their impact are considered by the Board.

78. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. The report commented on 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.

79. Audit Scotland will carry out a second audit in 2018 to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for 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 |
|----------|--|---|--|
| 8/9 | <p>1. Hospital acute services (set aside)</p> <p>Arrangements for the sum set aside for hospital acute services under the control of the IJB are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure has been agreed and included in the annual report and accounts. This is based on 2014/15 activity levels uprated to reflect the 2016/17 price basis and therefore does not reflect actual hospital use.</p> <p>This is a transitional arrangement for 2016/17 agreed by the Scottish Government.</p> <p>Risk</p> <p>In future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p> | <p>NHSGGC and the IJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p> | <p>Work is underway across NHS GG&C with representation from partnership CFO's, Acute Heads of Finance, Senior Finance representatives from the NHS Board and the Scottish Government to develop a financial framework for the set aside budget which is more meaningful within the integration agenda and links performance in the usage of unscheduled acute care to financial performance and ensure compliance with the spirit of the legislation. Regular progress reports are provided within CFO/Health Board Liaison meetings with a framework set to be in place by 1st April 2018 ahead of the 2018/19 financial year.</p> <p>Chief Finance and Resources Officer</p> <p>April 2018</p> |
| 14 | <p>2. Medium to long term financial plans</p> <p>There are no medium to long term financial plans in place to demonstrate how the IJB will secure the financial sustainability of its services in the future.</p> <p>Risk</p> <p>The IJB is not planning adequately</p> | <p>We recommend that a long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) is prepared. This is increasingly important as demand pressures</p> | <p>A financial plan for the partnership is in development with detailed projections of the requirements over the next 5 years alongside expected financial settlements from each partner agency to</p> |



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

over the medium to long term to manage or respond to significant financial risks.

increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).

support the partnership deliver on its strategic objectives. This will form a key part of the Strategic Plan for 2018-2021 and will be presented for approval at a future meeting of the IJB. Expected to be in place by 1st April 2018.

Chief Finance and
Resources Officer

April 2018

16/17 3. Internal Audit

The internal auditors of NHSGGC do not share copies of individual internal audit reports with the IJB or attend meetings of the IJB's Audit Committee..

Risk

Board members may be unable properly discharge their governance responsibilities.

The IJB should review internal audit arrangements to ensure that all internal audit reports affecting the IJB are presented to the IJB's Audit Committee.

The appointment of a Chief Auditor for the partnership will provide a platform for ongoing discussions with NHS Board Internal Audit function on the presentation of reports of interest to the ED Partnership. Further representation will be made to the NHS Board on more detailed information being presented to the partnership on areas of interest that require oversight by the partnership Audit Committee.

Chief Finance and
Resources Officer

December 2017

17 4. Transparency

Although minutes and papers for each Board meeting are available through the Council, other committee/group papers are not publicly available.

Risk

Service users, members and staff have difficulty in accessing information.

The IJB's status as leader in health and social care is diluted.

The IJB should enhance transparency by publishing papers submitted to standing committees and groups. Where papers include confidential information these can be withdrawn or redacted as appropriate.

The establishment of a website specific for the HSCP has only recently been put in place. A review of arrangements for supporting the website is underway and part of this will include arrangement for the regular publishing of report for standing committee.

Head of Administration

December 2017



Page
no.

Issue/risk

Recommendation

Agreed management
action/timing

17/18 **5. Public accessibility**

A number of public sector organisations broadcast meetings live on the web and/or make recordings of meetings available via their websites.

Risk

The Joint Board is seen as remote from its stakeholders.

As part of the commitment to openness and transparency the Joint Board should consider whether greater public engagement could be achieved through promotion of public attendance at meetings and/or the use of technology to reach a wider audience.

The partnership has recently developed a communications plan which was approved by the IJB in August 2017. We are actively engaging with service users and carers as part of the development of the next iteration of the Strategic Plan and encouraging involvement in all levels of partnership planning including attendance at Board meeting and involvement in locality planning groups.

Head of Strategic Planning
& Performance

April 2018

19 **6. Best Value**

The IJB should have arrangements in place to demonstrate that it is delivering Best Value in the provision of services.

Risk

Opportunities for continuous improvement are missed.

The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.

The partnership will undertake a formal review of its performance against the Scottish Government's Best Value Framework.

Chief Finance and
Resources Officer

April 2018

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 |
|---|--|--|
| Risks of material misstatement in the financial statements | | |
| <p>1 Risk of management override of controls</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 the risk of management override of controls in order to change the position disclosed in the financial statements.</p> | <ul style="list-style-type: none"> Detailed testing of journal entries. Service auditor assurances will be obtained from the auditors of EDC and NHSGGC over the completeness, accuracy and allocation of the income and expenditure | <p>Satisfactory written assurances were received from the external auditors of EDC and NHSGGC regarding journal testing and accuracy, allocation and cut-off of Joint Board transactions.</p> |
| <p>2 Financial statements preparation</p> <p>The 2016/17 financial statements will require income, expenditure and year end balances to be agreed with EDC and NHSGGC. There is a risk that the procedures for agreeing the year end balances are not fully embedded and that the financial statements are not delivered to the agreed timescale and in the required format.</p> | <ul style="list-style-type: none"> We continued engagement with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is met. Service auditor assurances were obtained from the auditors of EDC and NHSGGC over the completeness, accuracy and allocation of the income and expenditure. | <p>The required information was disclosed within the accounts and the financial statements were prepared in accordance with the Code.</p> <p>The timetable for NHS reporting requirements was met.</p> |
| <p>3 Risk of fraud over expenditure</p> <p>The Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure.</p> <p>The expenditure of the IJB is processed through the financial systems of EDC and NHSGGC. There is a risk that non IJB related expenditure is incorrectly posted to IJB account codes.</p> | <ul style="list-style-type: none"> Obtain assurances from the auditors of East Dunbartonshire Council and NHSGGC over the accuracy, completeness and appropriate allocation of the IJB ledger entries. Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year. | <p>Satisfactory written assurances were received from the external auditors of EDC and NHSGGC regarding accuracy, allocation and cut-off of IJB transactions.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|---|
| <p>4 Compliance with Regulatory Framework</p> <p>In 2015/16 the IJB failed to comply with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 relating to the notice of public right to inspect and object to the 2015/16 unaudited financial statements. The IJB should ensure that it fully complies with all relevant legislation relating to the publication and approval of the financial statements.</p> | <ul style="list-style-type: none"> Review of publication schedule for the unaudited and audited accounts. We will confirm compliance with all relevant legislation during our audit of the financial statements. | <p>The IJB complied with all relevant legislation in relation to the publication of the unaudited accounts.</p> |
| <p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p> | | |
| <p>5 Financial Planning</p> <p>The IJB did not formally approve a budget for 2016/17. This is due to timing differences of the budget setting arrangement for the health board. Work is ongoing to dovetail health board and council budget setting processes to give earlier indications of the finalised budgets for IJBs. The IJB should ensure that future annual revenue budgets are formally approved.</p> | <ul style="list-style-type: none"> Review of Board minutes for approval of 2017/18 budget. Monitor progress in any changes for the budget setting process for partner bodies. | <p>In August 2017 the Board considered a 2017/18 revenue budget update report which identified a total anticipated budget of £149.6 million and highlighted that an agreement had been reached with NHSGGC regarding the 2017/18 financial settlement from the health board.</p> |
| <p>6 Financial Sustainability</p> <p>The IJB is facing a potential funding shortfall of between £2.8 and £5.5 million in 2017/18. Work is underway to identify savings options to meet the shortfall. There is a risk that the IJB may not be able to generate sufficient efficiencies and cost savings to bridge the funding gap.</p> | <ul style="list-style-type: none"> Monitor the IJB's financial position via budget monitoring reports presented to the Board and also meetings with officers. Ongoing review of IJB progress towards delivering savings options. | <p>In August 2017 the Board considered a 2017/18 revenue budget update report which highlighted that the IJB's funding gap was £5.1 million and although £4.6 million of savings measures had been previously identified, there are a number of areas where there has been a delay in progressing these savings measures. This leaves a projected gap and savings shortfall of £1.2 million, including £0.5 million of savings measures still to be identified. Although the IJB has reserves of £5.3 million which can be used to provide some in year capacity to address the residual funding gap, savings measures to address this gap will have to be identified on a recurring basis.</p> |
| <p>7 Financial Management</p> <p>Based on the current 2016/17</p> | <ul style="list-style-type: none"> Ensure budget monitoring is robust and accurately reflects the financial | <p>2016/17 budget monitoring reports presented to the Board throughout the year consistently</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|--|--|
| <p>budget monitoring (for the period to 30 November 2016) there is a projected underspend of £2.6 million. This is due to underspend on the integrated fund and delayed discharges and also £1.3 million of non-recurring monies for the delivery on the living wage.</p> <p>However, there are a number of financial risks that require to be managed in year which affect the year end outturn including prescribing expenditure, demographic pressures and demand pressures on children's services. There is a risk that the IJB will be unable to meet its budgeted expenditure if sound budgetary control and monitoring arrangements are not adhered to.</p> | <p>position.</p> <ul style="list-style-type: none"> Confirmation of agreement of funding and balances with host bodies. | <p>reported a projected year end underspend. At 31 March 2017, the reported underspend was £4 million which is reflected in the annual accounts.</p> <p>During the audit of the financial statements we confirmed the agreement of funding and balances between the IJB and host bodies. We also confirmed that the accounting treatment of the IJB's 2016/17 surplus as a reserve complies 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

East Dunbartonshire Integration Joint Board

2016/17 Annual Audit Report

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