

# Fife Integration Joint Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Fife 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.



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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 consistently projected an overspend during 2016/17 and developed a recovery plan but this only partially addressed the savings required.
- 3 The IJB achieved a breakeven position in 2016/17 as a result of additional funding being received from both partner organisations to cover the £9.3 million in year overspend.

## Financial sustainability

- 4 The IJB failed to fully deliver on its savings target for 2016/17 and has still to identify £2.1 million of the £23.6 million savings required for 2017/18. We conclude that the IJB is facing significant challenges in short term financial sustainability.
- 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 although a review of governance arrangements with the partner bodies is expected to be undertaken in 2017/18 to ensure there is clarity and consistency across the three bodies on roles and responsibilities.

## Value for money

- 7 An annual performance report has been prepared showing the IJB performed close to the Scottish average in nine (47%) of the 19 national core integration indicators and outperformed the national average in the delayed discharges indicator.
- 8 The Joint Board should undertake a periodic and evidence based formal review of its performance against the Scottish Government Best Value framework.

# Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of Fife Integration Joint Board, hereby referred to as 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 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:
  - obtaining service auditor assurances on the main financial systems used for IJB transactions from the auditors of NHS Fife and Fife Council
  - an interim audit of the IJB's governance arrangements
  - 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 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](#). 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-operational 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.**

### 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 remuneration report, management commentary 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 resources and performance in the use of those resources.

### Submission of annual accounts for audit

15. We received the unaudited financial statements on 27 June 2017, in line with our agreed audit timetable. Agreement of balances with the two partner bodies – Fife Council and NHS Fife – was received in May 2017 prior to receiving the unaudited accounts. This ensured that agreed figures were included in the NHS Fife annual accounts.
16. The working papers provided with the unaudited financial statements were of a good standard and finance staff 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 report and accounts was carried out during the planning phase of the audit. Specifically with regard to the annual report and accounts, we assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#).

## Exhibit 2

### Materiality values

Materiality level	Amount
<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.	£5.4 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 70% of overall materiality.	£3.8 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 planning materiality rounded to a memorable numeric.	£50,000

### Evaluation of misstatements

20. The Remuneration Report disclosure should identify the remuneration earned by senior officers. Two of the individuals included in the report are paid through the Fife Council payroll system which has a four-weekly pay period. Both the Chief Officer and the Chief Finance Officer post-holder changed during the year and the remuneration report reflects the amounts actually paid to these individuals, during the year, rather than the amounts earned during the year (the disclosures do not adjust for accrued pay). This is not in accordance with the underlying regulation which requires "*The Remuneration Report for each financial year is to show, in tabular form, against the post held and name of each relevant person the total amounts (before tax and other deductions), whether received or receivable, by each relevant person from the local authority or, as the case may be, local authority subsidiary body*". The reference to "or receivable" indicates that the remuneration report should be prepared on an accruals basis. The existing treatment results in an overstatement of senior employee salaries of £3,286 (1.8%) in the Remuneration Report in the current financial year, however we have decided this is not material to the overall understanding of the accounts.

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

21. It is our responsibility to request that all misstatements are corrected although the financial decision on this lies with those charged with governance taking into account advice from senior officers and materiality. Management do not propose to adjust for the item above as the amounts are not considered material in the context of the financial statements. We agree that these amounts are immaterial.



## Significant findings

22. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA 260.

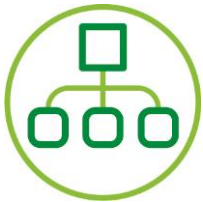
## Other Findings

23. 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.
24. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period which is 15 working days. Although the accounts were available for review in accordance with the regulations they were only advertised as publically available for 13 working days. The advert should also include details of the auditor and whilst the website identified Audit Scotland as the appointed auditor it did not provide the name of the engagement lead, Brian Howarth. We noted that no requests were made to inspect the IJB accounts.

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

# Part 2

## Financial management



### Main judgements

Financial reporting throughout the year identified an overspend but the IJB was unable to develop a recovery plan to fully address this.

The IJB achieved a breakeven position in 2016/17 as a result of additional funding being received from both partner organisations to cover the £9.3 million in year overspend.

### 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 are satisfied that the arrangements in place address the above factors. The Chief Finance Officer prepares and presents performance reports to each meeting of the IJB. From attendance at the Board meetings we have observed members challenging and questioning officers on the financial position.

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

### Financial performance in 2016/17

- 28.** The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for the 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.

29. As shown in [Exhibit 3](#) the IJB incurred an overspend of £9.3 million during 2016/17, but this was met by additional one-off funding from both partners resulting in the breakeven position reported in the financial statements.

### Exhibit 3

#### Financial Monitoring reports showing projected outturn for overspends

	Year end forecast £m
September 2016 (period 6)	12.194
November 2016 (period 8)	12.538
January 2017 (period 10)	11.317
March 2017 (year end position prior to risk share)	9.263

Source: Financial Monitoring Reports taken to IJB: note these do not include the Acute Set Aside overspend, as any overspend was borne by NHS Fife

30. The majority of this in-year overspend related to health costs (£8.652 million) with the balance (£0.611 million) being on social care areas. However, the Fife partnership has an agreed risk share approach in place which results in the council and health board contributing to an overspend in proportion to their share of the budget ([Exhibit 4](#)). This resulted in the council contributing £2 million towards health related costs.

### Exhibit 4

#### Budget Summary

IJB budget objective summary	Budget £m	Actual £m	Variance £m
Expenditure (excluding acute set aside)	494.726	503.989	9.263
Fife Council	(140.871)	(143.465)	(2.594)
NHS Fife	(353.855)	(360.524)	(6.669)
Total Net Expenditure	0	0	0

Source: 2016/17 IJB annual accounts

31. Although finance reports highlight the projected overspend they are not always clear on how this will be addressed. A recovery plan was produced in October 2016 but this only partially addressed the savings required.

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

## **Internal controls**

- 32.** The IJB does not have a bank account and all its financial transactions are processed through the financial systems of its partner organisations – NHS Fife and Fife Council. The key financial systems of the partners which the IJB relies upon include general ledger, trade payables, trade receivables and payroll.
- 33.** As part of our audit approach we sought assurances from the external auditor of NHS Fife and Fife Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls at either body which would have an impact on the IJB.

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

- 34.** The IJB does not have its own fraud or whistleblowing policies. It relies on the policies in place at Fife Council and NHS Fife. The IJB has responsibility for frauds incurred in relation to delegated services but it does not receive updates from the partner bodies on fraud cases. This issue was highlighted in the annual governance statement and will be addressed as part of the general review of governance arrangements planned for 2017/18.

# Part 3

## Financial sustainability



### Main judgements

**The IJB overspent by £9.3 million in 2016/17 and required additional funding from partners to cover the deficit. It continues to face significant financial pressures and needs to ensure it can deliver the required savings if it is to achieve financial balance going forward.**

**It is important that the IJB prioritises long term financial planning to demonstrate financial sustainability and support future developments**

### Financial planning

35. The IJB allocates the resources it receives from the health board and council in line with the Strategic Plan. Due diligence was undertaken by the partners to consider the sufficiency of the 2016/17 budget and the report to the March 2016 IJB highlighted the Chief Finance Officer's view that the resources available were not sufficient to deliver the services being transferred to the IJB at 1 April 2016.
36. As previously reported in paragraph 30 the IJB had overspent on its budget but due to the risk share agreement in place this overspend was met by the partner bodies and a year end breakeven position was therefore achieved.
37. The 2017/18 budget recognises the need for savings of £23.6 million to achieve a balanced budget. Savings of £16.5 million and additional funding from Fife Council reserves of £5 million have been approved leaving a savings gap of £2.1 million.
38. Early financial projections for 2017/18 indicate a £10 million overspend, the majority of which relates to hospital, social care and prescribing costs. There are on-going challenges to deliver the savings target of £16.5 million particularly around the delivery of community services redesign, modernising older peoples' day services and savings as yet unidentified.

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.

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

### Reserves strategy

39. A draft reserves policy was considered by the Finance & Performance Committee in March 2017. The draft was then due to be considered by the Audit & Risk Committee before being approved by the Board. Following the local government election in May there was a delay in appointing members to the Audit & Risk Committee and this has resulted in the reserves policy being deferred to the September 2017 IJB meeting.

## Efficiency savings

40. The IJB is required to make efficiency savings to maintain financial balance. In 2016/17 there was a £15 million budget shortfall and savings of £5.3 million were identified along with £4 million investment from integration funding to partially address this. This left a savings gap of £5.7 million to balance the 2016/17 financial position. Only £4.5 million of the total savings required of £11 million were achieved.
41. Significant work has been undertaken with GPs to reduce prescribing expenditure including a major review of Fife formulary and actively encouraging patients not to re-order medicine until needed and reducing the medicine waste at care homes. Work is on-going to further reduce the costs and the IJB expects planned savings of £6 million in this area for 2017/18 to be delivered. The overall savings required for 2017/18 are consistent with those needed in the previous year and it is clear that a fundamental reform of service provision is required.
42. The IJB's Joint Strategic Transformation Group was established to drive the transformation programme. It is chaired by the Chief Officer with senior representation from NHS Fife and Fife Council. Although some good progress has been made in the year, for example redesign of home care, a front door discharge programme and development of an assessment unit bed model, further changes will be required if the IJB is to achieve financial balance going forward.
43. There are currently no financial plans in place beyond the current year and this short term view may adversely impact on the longer term needs of the Fife communities. We acknowledge 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 sensitivity analysis and scenario planning. Longer term financial planning is an area that Audit Scotland has encouraged in both NHS and Local Government and this should also be reflected in the IJB.

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

# Part 4

## Governance and transparency



### Main judgements

The IJB has appropriate governance arrangements in place to support the scrutiny of decisions by the board although a review is to be undertaken in 2017/18 across the three partner bodies.

Transparency could be improved by making papers for the standing committees available on the website

### Governance arrangements

44. The Fife IJB was established under The Public Bodies (Joint Working) (Scotland) Act 2014. Its role is to: oversee the development and preparation of the Strategic Plan for services delegated to it; allocate resources in accordance with the Strategic Plan and ensure that the national and local health and wellbeing outcomes are met.
45. The IJB is supported by three standing committees: Care & Clinical Governance, Finance & Performance and Audit & Risk. The Scheme of Integration sets out the governance arrangements for membership of the IJB.
46. As part of the wider review of governance arrangements across the public sector, we completed a follow up on the 'Role of Boards' national report, published in September 2010. This involved review of documentation, discussions with key officers and attendance at Board and committee meetings. From this work we found that:
  - an appropriate level of challenge is being applied to decision making
  - training for members is provided via member development days to ensure they have the necessary information to deliver their role. From June 2017 a log of members' attendance has been kept.
47. In addition, we carried out a minute review of all Board, and Audit & Risk and Finance & Performance Committees as well as attending meetings throughout the year to form a judgement on the effectiveness of the Board and Committees and the level of scrutiny of information.
48. The legislation covering Integration Joint Board membership (The Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014, requires the representatives of the Health Board to be Non-Executive Directors (NExDs), unless the Health Board is 'unable' to fulfil the vacancies with NExDs. The IJB had a high proportion of NHS Fife Executive Directors (four of the eight seats allocated to the health board). Fife health board membership of the

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.

IJB is currently being considered through the health boards internal review of governance arrangements and therefore changes may be made to increase the number of NExDs on the board.

49. The Fife integration scheme adopted a fully delegated approach with the IJB, through the Chief Officer, being responsible for operational delivery of services. There has been a degree of uncertainty through the year as to what this means in practice and whether the governance arrangements in place are appropriate to deliver this. The integration scheme does not clearly set out the responsibilities of the Health Board, Council and the IJB in relation to operational activities and we are not aware of this being considered by the board or a committee. The IJB has highlighted in its governance statement within the annual accounts that this will be reviewed in 2017/18 to ensure there is clarity across the three bodies on roles and responsibilities, a consistent approach is taken and there is no unnecessary duplication.

## Internal audit

50. Internal audit provides the IJB board and Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.
51. The internal audit function is carried out by the Audit and Risk Management Service of Fife Council, in conjunction with Fife, Tayside and Forth Valley Internal Audit Services in their role as Fife Health Board Internal Auditors. We carried out a review of the adequacy of the internal audit functions and concluded that they operate in accordance with the Public Sector Internal Audit Standards (PSIAS) and have sound documentation standards and reporting procedures in place.
52. To avoid duplication of audit work we place reliance on the work of internal audit wherever possible. In 2016/17, however there were no planned internal audit reviews that impacted on our financial audit work. We considered internal audit report findings on governance arrangements as part of our wider dimension work (see paragraph 54).

## Risk management

53. The integration scheme required the partners to develop a shared risk management strategy to assess and prioritise risks related to the delivery of integrated services and a risk register that set out the key risks. The Risk Management Policy and Strategy for the IJB was approved in April 2016.
54. An internal audit on IJB governance arrangements reported in August 2017 that the risk register focuses purely on the IJB risks, with partners maintaining their own specific risk registers. However, as the IJB has the delegated operational responsibility for the services there may be some cross over between the three risk registers that has yet to be resolved. As a result registers will be reviewed as part of the wider governance review being undertaken by the partners.

## Transparency

55. 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.
56. There is evidence from a number of sources which demonstrate the IJB's commitment to transparency. The IJB website allows the public to access a wide range of information including consultations and publications. Details of the meetings held by the IJB are available through its website, where access is also given to board papers and minutes of meetings, although papers for the three standing committees - Audit & Risk, Finance & Performance and Clinical



& Care Governance are not publicly available. The IJB receives regular financial monitoring reports which highlight the projected spend to year end and details of savings that require to be delivered.

57. Overall, we concluded that the IJB conducts its business in an open and transparent manner but we believe current arrangements could be improved by making the papers for standing committees available on the website.

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

# Part 5

## Value for money



### Main judgements

**For 2016/17, the IJB performed above the Scottish average in one of the 19 (5%) national core integration indicators that are currently active and considered itself to be at or close in 9 (47%) of the indicators.**

**The IJB should have 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.**

### Performance management

58. In order to achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.
59. The Public Bodies (Joint Working) (Scotland) Act 2014 and the integration scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
60. The IJB board receives a finance and performance report at each meeting. These reports provide an update on the financial position, performance against national outcomes and against local health and social care indicators. There is also detail on the number of requests for information and complaints received. The reports are available through board papers on the IJB's website.
61. The Strategic Plan identifies four strategic priorities as shown below and these are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice:
  - Prevention and early detection
  - Integrated and co-ordinated care
  - Improving mental health services
  - Reducing inequalities
62. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. A draft performance report was submitted to the IJB Board meeting on 27 July 2017. The appendix to the annual report showed that for 2016/17, the IJB performed at the national average for four of the 19 (21%) national core integration indicators for which data is available (4 of the 23 indicators were classed as not

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

applicable at this stage). The IJB was just below the national average in a further five (26%) of the indicators. It outperformed the national average in one indicator - delayed discharges (Fife 779, Scotland 842).

- 63.** The annual report also identified areas where further work was needed, particularly around redesign plans for emergency admissions, day hospitals and care at home services and that the focus for 2017/18 will be on:
- Unplanned admissions
  - Occupied bed days for unscheduled care
  - A&E performance
  - Delayed discharges
  - End of life care – percentage of last six months of life by setting; occupied bed days during last six months of life
  - Balance of care/ spend – percentage of population in community or institutional settings.

## Best Value

- 64.** 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.
- 65.** 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, governance and performance management arrangements. We noted that there is currently no formal review undertaken of the IJB's performance against the Scottish Government Best Value framework. We will keep this area under review over the five-year audit appointment and will report as appropriate.

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

## National performance audit reports

- 66.** 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.
- 67.** In December 2015, we 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.
- 68.** The scale of the change is significant and will not happen quickly. We will therefore carry out a second audit in 2018, when integration authorities are more established, 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

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#### 1. Remuneration Report

Both the Chief Officer and the Chief Finance Officer post-holder changed during the year and the remuneration report reflects the amounts actually paid to these individuals rather than the amounts earned (it ignores year end pay accruals). This resulted in an overstatement of senior employee salaries of £3,286 (1.8%)

#### Risk

The Board's remuneration report does not accurately reflect the payments earned by officers.

Whilst we accept that the overall error was not material the Board should ensure that the remuneration report includes amounts earned in the year and not just the payments made.

The remuneration report will reflect the amounts earned rather than the amount actually paid.

*Chief Finance Officer*  
30th June 2018

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#### 2. Advertising accounts

Although the accounts were available for review in accordance with the regulations they were only advertised as publically available for 13 working days. The advert should also include details of the auditor and whilst the website identified Audit Scotland as the appointed auditor it did not provide the name of the engagement lead, Brian Howarth.

#### Risk

The IJB does not fully comply with the statutory requirement period for advertising the accounts for public inspection

The unaudited accounts should be made publicly available for 15 working days and the name of the engagement lead should be included in the advert.

The unaudited accounts will be made publicly available for 15 working days and the name of the engagement lead should be included in the advert.

*Chief Finance Officer*  
30<sup>th</sup> June 2018



Page no.	Issue/risk	Recommendation	Agreed management action/timing
11 & 13	<p><b>3. Financial reporting &amp; efficiency Savings</b></p> <p>Finance reports highlight the projected overspend but are not always clear on how this will be addressed. Although a recovery plan was produced in October 2016 this only partially addressed the savings required. For 2017/18 the Board is required to deliver £23.6 million savings. The Board has yet to identify £2.1 million of the savings required.</p> <p><b>Risk</b></p> <p>The detail in the Board's financial reports do not enable members to fully assess and challenge officers on the financial position.</p> <p>The Board may not be able to deliver the targeted savings in 2017/18.</p>	<p>The Board should ensure that full saving plans are developed and monitored identifying how the £23.6 million of savings in 2017/18 will be made.</p>	<p>A 2017/18 savings tracker is regularly reported to the IJB. Progress on the £2.1m savings yet to be identified is reported to the IJB.</p> <p><i>Chief Finance Officer</i></p> <p><i>Ongoing</i></p>
14	<p><b>4. Medium to long term financial planning</b></p> <p>The Board has no financial plans in place beyond 2017/18.</p> <p><b>Risk</b></p> <p>In the absence of medium to long term financial planning the future financial risks facing the IJB may not be clearly understood.</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 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).</p>	<p>A three year medium term financial planning strategy is being prepared for 2018-21. This will include financial plans for 3 years.</p> <p><i>Chief Finance Officer</i></p> <p><i>31<sup>st</sup> March 2018</i></p> <p>Consideration will be given to a long term financial strategy from 2019 onwards.</p> <p><i>Chief Finance Officer</i></p> <p><i>31<sup>st</sup> March 2019</i></p>
17	<p><b>5. Transparency</b></p> <p>The papers for the standing committees of the IJB are not publicly available.</p> <p><b>Risk</b></p> <p>The IJB does not evidence openness and transparency in the decisions it takes and how it uses its resources</p>	<p>Consideration should be given to making the papers for meetings of the standing committees available on the IJB website.</p>	<p>Consideration will be given to making the papers for the meetings of the standing committees available on the Fife Health and Social Care Partnership website</p> <p><i>Chief Officer</i></p> <p><i>31<sup>st</sup> March 2018</i></p>



Page  
no.

Issue/risk

Recommendation

Agreed management  
action/timing

19

**6. Best Value**

The Board should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

**Risk**

Opportunities for improvement through Best Value review may be missed

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

We follow government guidance and report to the IJB on the 9 national outcomes and 23 indicators. We are working with the Government to look at the six additional outcomes introduced in 2017/18. A best value report is being prepared by the IJB as part of the preparation for the upcoming Council BV audit.

*Head of Strategic, Planning, Performance and Commissioning*

*31<sup>st</sup> January 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
<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 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"> <li>Detailed testing of journal entries.</li> <li>Service auditor assurances will be obtained from the auditors of Fife Council and NHS Fife over the completeness, accuracy and allocation of income and expenditure</li> </ul>	<p><b>Results</b> We received assurances from the external auditors of Fife Council and NHS Fife and no issues were raised in relation to the completeness, accuracy and allocation of income and expenditure or to journals.</p> <p><b>Conclusion</b> We did not identify any issues as a result of our audit work that would indicate management override of controls that materially affect the year-end position.</p>
<p><b>2 Financial statements preparation</b></p> <p>For the first time, the Board will produce financial statements for a full year, which will be more complex than the partial year accounts produced in 2015/16.</p> <p>In addition, the current Chief Finance Officer's appointment is due to end on 31 March 2017 which may have an adverse impact on the IJB's ability to deliver a compliant set of financial statements.</p> <p>There is also a risk that processes for the preparation of the financial statements are not fully established including agreement of all transactions and balances between partner bodies.</p>	<ul style="list-style-type: none"> <li>Continued engagement with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is met.</li> <li>Service auditor assurances will be obtained from the auditors of Fife Council and NHS Fife over the completeness, accuracy and allocation of the income and expenditure</li> </ul>	<p><b>Results</b> We met with the Chief Finance Officer and considered the reporting requirements prior to receiving the unaudited accounts. As outlined at paragraph 23 a number of amendments were made to the unaudited accounts. It was also confirmed that the CFO appointment has been extended to November 2017.</p> <p><b>Conclusion</b> We have issued an unqualified opinion on the accounts and are satisfied these comply with the financial reporting requirements.</p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>3 Financial management and sustainability</b></p>	<ul style="list-style-type: none"> <li>Ensure budget monitoring is robust and accurately</li> </ul>	<p><b>Results</b> We received confirmation of balance agreed by</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Based on the budget monitoring report to 31 October 2016, the IJB is projecting an overspend of £11.7 million. Whilst a savings plan has been agreed there remains a risk that the IJB will be in a deficit position at year end and this will have to be distributed to the council and health board.</p>	<p>reflects the financial position.</p> <ul style="list-style-type: none"> <li>Confirmation of agreement of funding and balances with host bodies</li> </ul>	<p>the partners for the annual accounts. The year end overspend was an improvement on the October projection at £9.3 million but financial pressures continue in 2017/18.</p> <p><b>Conclusion</b> The overspend was met, through the risk share agreement by the partner bodies and the IJB delivered a breakeven position at the year end. The on-going financial pressures have been reported in <a href="#">Appendix 1</a></p>





















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# 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

# Fife Integration Joint Board

## 2016/17 Annual Audit Report

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