

Clackmannanshire and Stirling Integration Joint Board

2017/18 Annual Audit Report



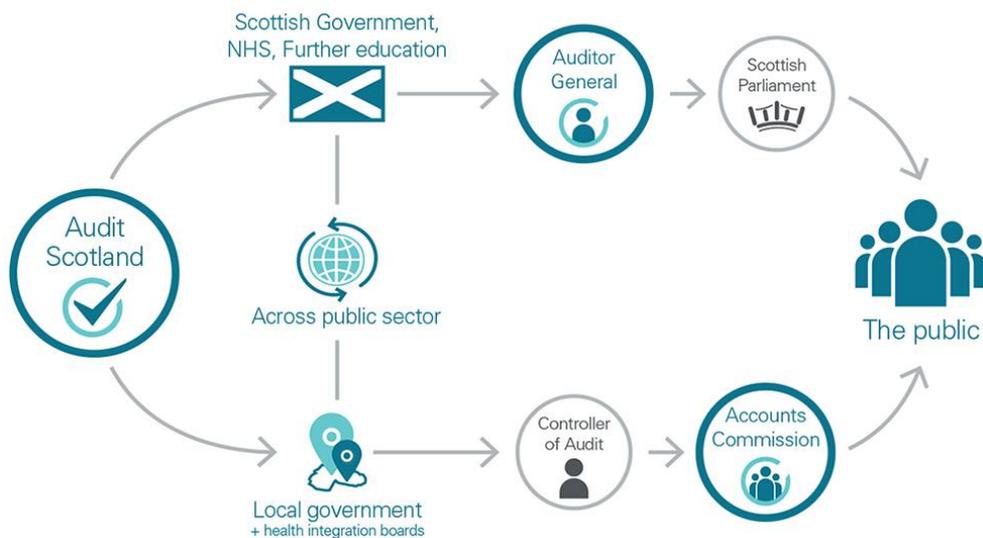
 AUDIT SCOTLAND

Prepared for the Clackmannanshire and Stirling IJB and the Controller of Audit
September 2018

Who we are

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

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



About us

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

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

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

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Key messages

2017/18 annual report and accounts

- 1 In our opinion Clackmannanshire and Stirling IJB's financial statements give a true and fair view and were properly prepared.
- 2 The management commentary, remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Financial management and sustainability

- 3 The IJB has appropriate and effective budgetary processes arrangements in place which provide timely and reliable information for monitoring financial performance.
- 4 The IJBs financial position is challenging. The IJB implemented a recovery plan in 2017/18 which included additional contributions of £1.154 million from partners. Following this, the IJB incurred an in-year loss of £1.053 million which was financed, as it had planned, from its reserves. The 2018/19 budget is based on achieving efficiency savings of £4.900 million, some of which are at risk of not being achieved.
- 5 The IJB will require to make significant savings in the medium to longer term and should take steps to develop medium to long term financial plans to demonstrate how it can ensure financial sustainability and support its future strategic objectives.

Governance, transparency and value for money

- 6 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. This includes, from 2018/19, the introduction of a Finance Committee to support financial governance and scrutiny.
- 7 The IJB is open and transparent in the way it conducts its business; the public can attend meetings and access agendas and meeting papers.
- 8 The IJB's performance against the national Health and Wellbeing Outcomes is good, with performance being above or in line with the national average in 12 out of the 17 national core integration indicators for which comparable information is available for 2017/18.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Clackmannanshire and Stirling Integration Joint Board, hereby referred to as the 'IJB'.

2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2018 meeting of the Audit Committee. This report comprises the findings from:

- an audit of the IJB's annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:

- a review of the IJB's main financial systems
- an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
- consideration of the four audit dimensions.

4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

- 5.** The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
- 6.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.
- 7.** As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.
- 8.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 9.** 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.
- 10.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
- 11.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £0.024 million, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

- 12.** Our aim is to add value to IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.
- 13.** This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 14.** 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 2017/18 annual accounts



Main judgements

In our opinion Clackmannanshire and Stirling IJB's financial statements give a true and fair view and were properly prepared.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Audit opinions on the annual accounts

15. The annual accounts for the year ended 31 March 2018 were approved by the Board on 26 September 2018. We reported within our independent auditor's report that in our opinion:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

16. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements, the adequacy of accounting records, and the information and explanations we received.

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

Submission of annual accounts for audit

17. We received the unaudited annual accounts on 28 June 2018 which was behind our agreed timetable but within the statutory deadline. Financial information was provided to the IJB from the partner authorities in a timely manner which allowed the IJB to produce the accounts before the statutory deadline. The partner authorities also provided the IJB with assurance letters confirming that the figures in the accounts were complete and accurate.

18. The working papers provided with the unaudited annual accounts were of a reasonable standard and the Chief Finance Officer provided sufficient support to the audit team to enable the audit to run smoothly.

Risks of material misstatement

19. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process, wider dimension risks, how we addressed these and our conclusions. These risks had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team.

Materiality

20. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

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 financial statements and is summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£1.817m
Performance materiality	£1.090m
Reporting threshold	£0.018m

How we evaluate misstatements

22. There were no material adjustments to the unaudited financial statements arising from our audit

Significant findings from the audit in accordance with ISA 260

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

24. The findings include our views about significant qualitative aspects of the board's accounting practices including:

- Accounting policies
- Accounting estimates and judgements
- Significant financial statements disclosures
- Timing of transactions and the period in which they are recorded
- The impact on the financial statements of any uncertainties
- The effect of any unusual transactions on the financial statements
- Misstatements in the annual report and accounts
- Disagreement over any accounting treatment or financial statements disclosure

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Hospital Acute Services (Set Aside)</p> <p>The accounts include £19.958 million set aside costs for hospital acute services. The budget and expenditure reported for the set aside is equal and based on the historic use of acute services in the area. The figures are provided by NHS Forth Valley. Partners agreed that this would be managed by NHS Forth Valley with no in year financial consequences on the partnership.</p> <p>The set aside sum recorded in the 2017/18 financial statements does not therefore fully reflect actual hospital use.</p>	<p>The Comprehensive Income and Expenditure Statement in the annual accounts correctly incorporates the set aside costs that was agreed between partners.</p> <p>This was expected to be a transitional arrangement for 2016/17, however an extension was agreed by the Scottish Government. NHSFV and CSIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2018/19.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>

Good practice in financial reporting

25. The annual accounts reflect many of the areas of good practice as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)' (April 2018).

Follow up of prior year recommendations

26. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

27. In total, four agreed actions were raised in 2016/17. Of these:

- One has been fully implemented.
- One has been partly actioned and the updated position is noted in the action plan.
- Two are on-going issues and have been updated in the 2017/18 action plan.

Overall the IJB has made some progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

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



The IJBs financial position is challenging. The IJB implemented a recovery plan in 2017/18 which included additional contributions of £1.154 million from partners. Following this, the IJB incurred an in year loss of £1.053 million which was financed, as it had planned, from its reserves. The 2018/19 budget is based on achieving efficiency savings of £4.900 million, some of which are at risk of not being achieved.

The IJB will require to make significant savings in the medium to longer term and should take steps to develop medium to long term financial plans to demonstrate how it can ensure financial sustainability and support its future strategic objectives.

Financial management

28. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Financial 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.

29. All funding and expenditure for the IJB is incurred by partners' bodies and processed in their accounting records. The finance teams of NHS Forth Valley, Stirling Council, and Clackmannanshire Council operate independently, use different financial systems, and report separately to the IJB Chief Finance Officer. The IJB relies on each partner body to provide accurate and timely financial monitoring information in order to prepare its financial performance reports. This presents a challenge for aligning financial monitoring data for the IJB.

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

30. There is a risk that the efficiency and effectiveness of integrated budget monitoring information is affected. The IJB has recognised this risk, however further progress should be made to align financial reporting as far as possible.



[Recommendation b/f 1 \(refer appendix 1, action plan\)](#)

31. We have however concluded that overall the financial management procedures in place are robust. The Chief Finance Officer has procedures in place to identify all income, expenditure and balances; and report financial information to the IJB. Financial reports are presented at each Board meeting. These give a projection of the year end outturn along with reasons for projected under or overspend. They also provide details of any changes made to the budget or projected outturn since the last reporting date.

Systems of internal control

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

33. As part of our audit approach we sought assurances from the external auditors of NHS Forth Valley, Stirling Council and Clackmannanshire Council (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls for the health board and no weaknesses in the systems of internal controls at either council which would have an impact on the IJB.

Financial performance in 2017/18

34. When the 2017/18 budget was set in March 2017, there was a budget gap of £1.784 million. During the year the forecast overspend reported to the Board ranged from a peak of £3.426 million (in the financial report to 31 August 2017) to £2.721 million in the financial report to 31 January 2018. The improvement was due to reductions from the early part of the year in admissions to nursing homes in the Clackmannanshire area; and a reduction in requirements for long term care towards the end of the year.

35. The most significant financial pressures and contributors to the overspend were:

- Family Health Service prescribing overspent by £1.086 million.
- Adult Social Care in the Clackmannanshire locality overspent by £1.198 million.
- Adult Social Care in the Urban and Rural Stirling localities overspent by £0.779 million.

36. The actual overspend, prior to the impact of the IJB's recovery plan agreed with partners, was £2.601 million. To address this, the recovery plan achieved savings of £0.394 million and the partners contributed a further £1.154 million on an agreed risk sharing basis. The remaining overspend of £1.053 million has been financed from the IJB's general fund balance of £0.688 million which it held at the beginning of the financial year, together with £0.365 million from the general fund balance that had been earmarked for social care integration.

37. The final overspend reported in the accounts was £1.053 million. This related to budgeted expenditure for 2017/18 of £180.639 million and is summarised in [Exhibit 4 \(below\)](#). The overspend has reduced the IJB's general fund balance from £3.412 million in 2016/17 to £2.359 million. All of this is earmarked for specific expenditure areas in future years.

Exhibit 4

Performance against budget

IJB budget objective summary	Budget £m	Actual £m	Variance £m
NHS Forth Valley	133.159	132.644	(0.515)
Clackmannanshire Council	15.693	16.602	0.909
Stirling Council	31.787	32.446	0.659
Total Net Expenditure	180.639	181.692	1.053
Reserves at beginning of year			3.412
Net expenditure funded by General Fund			-0.688
Earmarked reserves used in 2017/18			-0.930
Earmarked reserves created in 2017/18			0.565
Reserves at end of year – all Earmarked Reserves			2.359

Source: IJB Financial Report for year ended 31 March 2018 (June 2018) and Annual Accounts 2017/18

Financial planning

38. The IJB allocates the resources it receives from its partners in line with the Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2017/18 budget provided for the IJB.

39. The 2018/19 revenue budget was approved by the Board on 28 March 2018. This was based on estimated expenditure of £180.805 million (excluding reserves) to deliver partnership services. This consists of Stirling Council contributing £32.650 million, Clackmannanshire Council contributing £16.041 million and NHS Forth Valley contributing £128.890 million. The £3.224 million of remaining funding is made up of: integrated care funding of £2.480 million and delayed discharges funding of £0.744 million.

40. The IJB has yet to implement any medium to long term financial plans. The IJB is wholly funded by the partner councils and the Health Board, whose funding from the Scottish Government is set on an annual basis. While the partner councils have medium term financial plans, NHS Forth Valley has an annual delivery plan for 2018/19 and is currently in the process of preparing a longer term financial plan. While this impacts on the IJBs ability to prepare accurate medium or long term financial forecasts, this should not prevent the IJB from preparing medium to long term financial plans aligned to its strategic plan which incorporate sensitivity analysis and scenario planning, demographic assumptions and impacts on budget.

41. The IJB is in the process of finalising its refresh of the Joint Strategic Needs Assessment - which informs demand pressures for the partnership. Furthermore, the Health and Social Care Financial Framework document will be available in the

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.

¹ Note: the budget was increased by £1.154 million to reflect the additional contribution by partners agreed in the recovery plan.

coming months which should give additional clarity on health spending nationwide in future years. The publication of these reports will give the IJB a clearer picture of how the budget for the partnership will look in future years, which should assist the preparation a medium term financial plan.



[Recommendation 2 \(refer appendix 1, action plan\)](#)

Efficiency savings

42. The IJB required to make efficiency savings of £4.844 million in 2017/18 to maintain financial balance. As a savings tracker was not in place during the year, it is not clear to what extent these specific savings were met, or the extent to which this impacted on the budget overspend in 2017/18.

43. Savings proposals of £4.900 million, required to break even in 2018/19, were presented to the Board in June 2018. This was slightly less than the forecast gap when the budget was set in March 2018 due to assumptions relating to savings plans that have subsequently been updated. [Exhibit 5](#) summarises the comparative savings requirement at budget setting with the revised position once all cost pressures and additional funding were clarified.

Exhibit 5

Funding for CSIJB and projected additional spending pressure 2018/19

Funding for RIJB projected additional spending pressure 2018/19	At budget setting in March 2019 £m	Updated in June 2018 £m
Cost and Service Pressures	10.020	9.829
Additional resources	4.929	4.929
Balance to be met by savings	5.091	4.900

Source: 2018/19 Budget Update presented to the Board: June 2018

44. The cost and service pressures referred to above include the impact of recurrent overspends in 2017/18 of £2.746 million; and unachieved savings of £0.899 million.

45. Efficiency savings plans totalling £5.352 million for 2018/18 have been identified and a risk analysis has been carried out on the likelihood that these savings can be delivered. This has highlighted that £2.365 million of these savings are considered to be “red risks”, meaning that there is a high risk that these plans will deliver limited or no savings during the year. This, together with the risk of continuing the overspends sustained in 2017/18 means that the IJB remains at high risk of continuing to overspend its budget.



[Recommendation 3 \(refer appendix 1, action plan\)](#)

46. The IJB have introduced an efficiencies tracker for 2018/19 which will allow the Board to track the likelihood that required savings will be delivered. This will allow the IJB to identify areas where efficiencies may not be achieved and allow partner bodies to see how effective the IJB has been in delivering savings.

47. The IJB is updating the function of its existing Transformation Change Group to collate and monitor progress on the delivery of savings and efficiency programmes. This group will also monitor any budget recovery proposals using the savings tracker.

48. The efficiencies tracker gives a brief description of the savings requirement and the point of the year from when the savings will be achieved. However, further information is required on whether each saving delivered in year will be on a recurring basis (i.e. savings that, once achieved, recur year on year from that date) or on a non-recurring basis. Any non-recurring savings will increase the savings required in future years.



[Recommendation 4 \(refer appendix 1, action plan\)](#)

Reserves strategy

49. The IJB approved its reserves strategy at the Audit Committee meeting in February 2017. This outlines the type of reserves the IJB can hold. The general fund balance is used as a working balance to manage the impact of uncertain cash flows. As part of the reserves strategy, a maximum target level for un-earmarked general reserves of £1.25 million was approved, which is approximately 0.75% of the partnership budget.

50. The un-earmarked general fund balance was nil at March 2018. This would have been a negative balance had the partner bodies not provided additional funding of £1.154 million as part of the recovery plan.

51. The strategy is reviewed annually to ensure all financial changes and challenges facing the IJB and its constituent partners are taken into account in determining the appropriate level of reserves. The reserves policy sets a maximum level, but does not set a minimum level for reserves. While the partners reached agreement on how to finance the overspend in 2017/18, the IJB should consider updating the reserves policy to set out a minimum reserves level.

52. As outlined in [Exhibit 4](#), the IJB is carrying forward a reserves balance of £2.359 million that is earmarked for specific expenditure in future years. The majority of this is intended to be used to support the care model planned for when the Stirling Health and Care Village becomes fully operational, and to help fund transformational programmes relating to unscheduled care, mental health and primary care.

Part 3

Governance, transparency and value for money



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. This has included, from 2018/19, the introduction of a Finance Committee to review financial information.



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

The annual performance report shows that the IJB is performing well against the Scottish average in a majority of the core suite of integration indicators. Periodic reporting would be improved if targets and comparison to benchmark bodies were incorporated.

Governance arrangements

53. The Board is responsible for the management and delivery of health and social care services in the Clackmannanshire and Stirling area and is supported by an Audit Committee and, from March 2018, a Finance Committee. This newly formed committee will consider all financial performance information, including the monitoring of partnership performance against budgets and the progress towards achieving efficiency savings.

54. The IJB is also supported in its work by a Chief Officer and Chief Finance Officer. The former provides strategic and operational advice to the Board while the latter is responsible for financial management including budget monitoring reports.

55. The Board and Audit Committee met on a regular basis throughout 2017/18. We review minutes of Board and Audit Committee meetings to assess their effectiveness and also attended meetings of the Audit Committee and selected Board meetings as observers. We concluded that these operate effectively.

56. The unaudited accounts were due to be approved by the Audit Committee at its meeting held on 27 June 2018. However, this meeting was cancelled due to being inquorate, an issue which also arose in the previous year. This meant the unaudited accounts were not approved until the rescheduled date on 24 August 2018.

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.



Recommendation 5 (refer appendix 1, action plan)

57. A review of the Scheme of Delegation was scheduled to take place in early 2018 but has been delayed. This was due to the impending delegation of all Adult Services from Stirling Council and further delegation of some services from NHS Forth Valley which are due to take place in the second half of 2018. This will result in greater operational control for services by the Chief Officer. It was considered more appropriate to complete the full review once these responsibilities have transferred to the IJB.

58. Overall, we consider the arrangements in place continue to support good governance and accountability.

Transparency

59. Transparency means that the public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

60. Full details of the meetings held by the Board are available through the NHS Forth Valley website and meetings of the Board are open to the public to attend. The website also contains a section for the Audit Committee and papers are available to view.

61. The public have a right to inspect and object to the annual accounts. The Local Authority Accounts (Scotland) Regulations 2014 outline the timescales within which this should take place. An advertisement was placed in the Stirling Observer explaining to the public that the unaudited accounts were available to view at the IJB offices and were also accessible on the IJB website. However, the inspection period was five days later than the statutory three week period specified by the regulations.



[Recommendation 5 \(refer appendix 1, action plan\)](#)

62. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

Internal audit

63. 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.

64. The internal audit function is carried out by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Stirling Council Audit Manager was appointed as the IJB Chief Internal Auditor for the initial three-year period, covering the financial years up to 31 March 2019. This was approved by the Integration Joint Board.

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

66. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. However, we did consider the internal audit report findings regarding the IJBs performance management arrangements as part of our wider dimension work.

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

67. The IJB has a range of activities in place designed to maintain standards of conduct including a Code of Conduct for members. In addition, a register of members' interests is in place for Board Members and this is available to view on the Clackmannanshire Council. There are plans to disclose this on the IJBs web site once this is fully developed located independently from the current link within the NHS Forth Valley web site.

68. As part of the assurances obtained from the external auditors of the partner organisations, it was confirmed that each of the partner organisations had in place

effective polices for bribery and corruption, including established whistleblowing procedures for officers.

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

Other governance arrangements

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

71. The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017. This requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate. The review of cyber security is carried out by the partner bodies, based on the fact the IJB are dependent on the processes and procedures in place at each of the partners.

72. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. GDPR has introduced new and significantly changed data protection concepts.

73. The IJB first reported GDPR arrangements in a paper presented to the Board in March 2018, two months before the regulations came into force. This recognised the IJBs responsibilities for documenting its arrangements for processing personal data and to ensure that its processes comply with the requirements of the new legislation. A Data Protection Officer has been appointed to help co-ordinate this. Given that the new regulations are now in force, the IJB should monitor that it implements the proposed changes, otherwise there is a risk they could be in breach of the GDPR requirements.

Value for money and performance management

74. Best Value duties apply to accountable officers across the public sector. As part of this year's audit we looked at how the IJB demonstrates that it is meeting its BV duties.

75. 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.

76. The IJB demonstrates how it is meeting its BV duties through its reporting against key performance indicators, the progress the partnership is making towards delivering the priorities of the strategic plan, and through its financial performance reporting mechanisms.

77. A Strategy map has been created to ensure that there is a direct link between performance and the outcomes of the strategic plan. The Strategy Map is scheduled to be refreshed in line with the development of the next Strategic Plan.

78. The IJB board receives performance reports on a quarterly basis outlining performance against a number of key measures. These are available on the IJB's website. The focus is on the five local outcomes in the strategic plan, with work on-going to support a balanced scorecard approach to measurement and reporting. The report also contains information around some of the Scottish Government's six key local improvement objectives relating to unscheduled care; which are monitored by the Forth Valley Unscheduled Care Programme Board (UCPB).

79. The reports provide a summary of the direction of travel for a range of indicators within each local outcome, together with an appendix which provides

more detailed narrative commentary on performance. This provides performance on 24 indicators, although 7 of these do not have any information to compare previous years' performance against. Of the remaining 17 indicators, performance improved in 2017/18 in 12 of them.

80. The main areas where performance has deteriorated relates to unscheduled care and attendance at emergency department and being seen within 4 hours. The performance report highlights the steps being taken to address this, and notes that this is being monitored by the UCPB.

81. Overall, we consider the quarterly reporting is of a good standard, although improvements could be made by establishing targets for each indicator and comparing performance to either the Scottish average or against other benchmark IJBs. The number of indicators reported appears low and the IJB should consider whether any additional indicators should be collated and reported to the Board to demonstrate progress in performance.

Annual Performance Report

82. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan (if applicable).

83. The draft Annual Performance Report (APR) was submitted to the IJB Board meeting on 13 June 2018. The report largely contained the required content as laid out by the 2014 Act, except with regards to Financial Reporting on localities. This matter has previously been raised by internal audit following their review of the 2016/17 APR and we are advised that locality level financial reporting will be a key focus for development in 2018/19.

84. The APR shows that, broadly, the IJB is performing well against the national core suite of integration indicators. Performance reported in 2017/18 was above the Scotland average in 12 of the 17 indicators for which performance statistics are currently available.

85. The APR highlights areas for improvement, including plans for delivering transformational change. This includes

- developing opportunities for co-location of services by better use of the joint estate
- a refresh of the approach to self-directed support
- on-going development of services and whole systems approaches to support people to be discharged timeously from hospital and to develop the early intervention approach including the unnecessary admission to hospital.

National performance audit reports

86. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which are of direct interest to the Board as outlined in [Appendix 3](#).

87. In December 2015, Audit Scotland published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home.

88. Audit Scotland also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. The scale of the change is significant and will not happen quickly.

89. Therefore, Audit Scotland have carried out a second audit in 2018, now 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. The report is due to be published in November 2018.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Hospital Acute Services (Set aside)</p> <p>Arrangements for the sum set aside for hospital acute services under the control of CSIJB are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure, based on historical usage, has been agreed and included in the annual report and accounts for both 2016/17 and 2017/18.</p> <p>This was expected to be a transitional arrangement for 2016/17, however an extension was agreed by the Scottish Government. NHSFV and CSIJB should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2018/19</p> <p>Risk</p> <p>There is a risk that in future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p>	<p>The IJB should agree a basis for the set aside budget with NHS Forth Valley that will be implemented once the current transitional arrangements end.</p> <p>Exhibit 3</p>	<p>It has been agreed to set up a pan Forth Valley group, linked to the Unscheduled Care Programme Board, to develop arrangement and implement revised arrangements for the set aside budget going forward.</p> <p>Responsible officer: Chief Officer & Chief Finance Officer</p> <p>Agreed date: March 2019</p>
2	<p>Financial Planning – longer term planning</p> <p>The IJB does not currently have a medium to long term financial plan in place.</p> <p>Risk</p> <p>The absence of longer term financial planning increases the risk of the IJB not being</p>	<p>Longer term financial planning should be developed to take account of any required future budget savings pressures and to demonstrate a link to the objectives set out in the three year strategic plan and the subsequent refresh.</p> <p>Paragraph 41</p>	<p>Medium Term financial plan under development for Health and Social Care Partnership taking into account assumptions on resource availability, payroll and price inflation and demand growth. This will underpin Strategic Commissioning Plan for 2019/2022.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	able to achieve its strategic objectives.		Responsible officer: Chief Finance Officer Agreed date: March 2019
3	Efficiency savings In 2018/19 the IJB is required to deliver £4.9 million of savings to break even. The board has identified savings to achieve this but has highlighted that £2.365 million of these are considered high risk and may not materialise. Risk The board may not be able to deliver the targeted savings in 2018/19, which increases the risk of the IJB overspending its budget.	The IJB should ensure that proposed savings contained in the 2018/19 budget are implemented or ensure that a recovery plan is agreed between partners at the earliest opportunity. Paragraph 45	Risk assessment of savings and efficiency programmes are reported to IJB Finance Committee and IJB. Options for financially sustainable service provision will be brought to IJB for consideration and approval. Responsible officer: Chief Officer, Chief Finance Officer & Key Budget Holders Agreed date: November 2018
4	Efficiency savings – tracker The required efficiencies for 2018/19 do not specify whether the efficiencies are recurring or non-recurring. Risk: Any non-recurring savings will increase the savings required in future years	Required efficiencies should be recurring wherever possible. These should be categorised between recurring and non-recurring in all monitoring reports; and the Board should be advised of the impact of using non recurring savings to address overspends. Paragraph 48	Savings Tracker will be amended to incorporate flag to identify where any savings are non recurrent in nature. Where this occurs reports will highlight level of non recurrent savings and risks associated. Responsible officer: Chief Finance Officer Agreed date: September 2018
5	Audit Committee meetings For the second year in succession, the June Audit Committee was postponed due to being inquorate. Amongst other items, this was the meeting at which the unaudited accounts were due to be approved. Risk: This increases the risk of actions by the IJB not being scrutinised.	Members should be reminded of their responsibilities to attend meetings in order to ensure that the actions of the IJB are scrutinised. Paragraph 56	Issue will be specifically highlighted to Integration Joint Board members with Final Accounts and Annual Audit Report. Responsible officer: IJB Voting Members Agreed date: September 2018.



No.	Issue/risk	Recommendation	Agreed management action/timing
6	<p>Inspection of unaudited accounts</p> <p>The inspection period for the public to inspect the unaudited accounts and accounting records was five days later than the statutory period specified by regulations.</p> <p>Risk</p> <p>The requirements of the Local Authority Accounts (Scotland) Regulations 2014 are not met.</p>	<p>Future inspection periods should be in accordance with the statutory inspection period.</p> <p>Paragraph 61</p>	<p>Timetabling of placing of adverts for inspection will be incorporated into 2018/19 (and future years) timetables at earlier point to ensure compliance.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: January 2019</p>

Follow up of prior year recommendations

b/f 1	<p>Integrated Financial Reporting</p> <p>The finance teams of each of the partner bodies operate independently, use different financial systems, and report separately to the IJB Chief Financial Officer. The poses challenges of aligning financial monitoring data for the IJB.</p> <p>Risk</p> <p>There is a risk that the efficiency and effectiveness of integrated budget monitoring information is impaired.</p>	<p>Partner financial reporting should be aligned to improve the efficiency of the IJB's financial monitoring.</p> <p>Paragraphs 30 and 83</p>	<p>Updated response: Further streamlining is difficult due to the different ledger systems and financial reporting arrangements for each of the partners. Some development work was carried out in 2017/18 to help move towards financial reporting by localities. This will enable locality managers to better monitor and manage budgets; and will be developed further in 2018/19.</p> <p>Revised action: Financial reporting should be updated to reflect the reporting requirements of the three localities.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Revised date: March 2019.</p>
b/f 2	<p>Financial Planning – funding gap</p> <p>An overspend of £0.676 million was projected for 2017/18 which requires efficiency savings of £4.844 million identified by partners and approved by the IJB to be achieved to meet this.</p> <p>Risk</p> <p>There is a risk that the budgeted outturn is not</p>	<p>The IJB should ensure that proposed savings contained in the 2017/18 budget and the recovery plan are implemented otherwise there is a risk of a significant overspend in 2017/18.</p>	<p>Updated response: While budget monitoring reports and the recovery plan highlighted the forecast overspend for 2017/18, efficiency savings were not fully implemented in 2017/18 resulting in a significant overspend. This continues to be an on-going issue.</p> <p>Revised action: see issue 3 above</p> <p>Responsible officer: Chief Finance Officer</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>achieved if the proposed efficiencies are not achieved.</p>		
b/f 3	<p>Financial Planning – longer term planning</p> <p>The IJB does not currently have a medium to long term financial plan in place. We are aware that the IJB is fully funded from both the partner councils and the Health Board and that funding from the Scottish Government to these partner organisations is set on a year-on year-basis. However, this should not prevent the IJB from preparing longer term plans based on assumptions about the future and strategic plan requirements.</p> <p>Risk</p> <p>The absence of longer term financial planning increases the risk of the IJB not being able to achieve its strategic objectives.</p>	<p>Longer term financial planning should be developed to take account of any required future budget savings pressures and to demonstrate a link to the objectives set out in the three year strategic plan.</p>	<p>Updated response: This was delayed pending the publication of the National Care 5 year financial framework.</p> <p>Revised action: see issue 2 above</p> <p>Responsible officer: Chief Finance Officer</p>
b/f 4	<p>Efficiency Savings</p> <p>The IJB has not yet fully implemented a mechanism to track the approved efficiencies incorporated into the annual budget.</p> <p>Risk</p> <p>This increases the risk that all savings plans are not fully delivered in year.</p>	<p>The IJB should develop a mechanism for tracking the progress of all efficiencies incorporated into the annual budget</p>	<p>Updated response: A mechanism for tracking efficiencies has been developed and will become fully operational from 2018/19.</p> <p>Revised action: n/a - implemented</p> <p>Responsible officer: Chief Finance Officer</p>

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 consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Reviewed the significant accounting estimates and did not identify any issues.</p> <p>Reviewed the process, accuracy and completeness of consolidating the financial reports from the three host bodies.</p> <p>Obtained written assurances from the external auditors of the three partner bodies on the completeness, accuracy and allocation of the income and expenditure transactions of the IJB. No issues were noted.</p> <p>Conclusion: no evidence of management override of controls.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>2 Financial sustainability – 2017/18 budget overspend</p> <p>Based on the latest budget monitoring report for the period to 31 October 2017, the IJB is projecting an overspend of £3.316 million.</p> <p>The IJB budget recovery action currently being carried out is not expected to produce a balanced financial position for the partnership in 2017/18. Discussions are underway between partners to agree a basis on which to address how the overspend will be managed.</p> <p>Until this is determined and agreed, there is a risk that the IJB cannot confirm its 2017/18</p>	<p>Review whether budget monitoring is robust and accurately reflects the financial position.</p> <p>Confirm and assess the steps taken to determine and agree future savings requirements with partner bodies.</p> <p>Review evidence of recovery plan or remedial action being taken on areas of overspend.</p> <p>Confirm that partners agree a basis on which to fund the overspend</p>	<p>The IJB had a final overspend position of £2.601 million for 2017/18 prior to carrying out the recovery plan actions.</p> <p>The recovery plan incorporated additional contributions of £1.154 million from the partner bodies.</p> <p>Conclusion: the overspend in 2017/18 may not be sustainable going forward and the IJB will need to ensure that it closely monitors the financial position during 2018/19 as any overspend, over and above the planned use of earmarked general fund balances, will require to be funded by the partner bodies.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>outturn position or whether it has broken even.</p>		
<p>3 Financial sustainability – short term financial planning</p> <p>The IJB’s budget for 2018/19 is still being developed. A recent budget update sent to the IJB Committee in December 2017 indicated that the estimated funding gap for 2018/19, based on a flat cash budget compared to 2017/18, will be £11.6 million. Therefore, the IJB will need to identify and deliver efficiency savings in order to produce a balanced budget.</p> <p>There is a risk that delays in agreeing the 2018/19 budget will impact negatively on the financial management of the IJB and service delivery.</p>	<p>Review the results of the due diligence review.</p> <p>Review the effectiveness of the IJB’s financial plans.</p> <p>Review the progress the IJB have made towards agreeing the 2018/19 budget and the efficiency savings required.</p>	<p>The IJB agreed its budget for 2018/19 at the committee meeting held on 28 March 2018.</p> <p>Efficiency savings of £4.900 million require to be made in 2018/19 to break even.</p> <p>Efficiency savings have been identified but £2.365 million are assessed as high risk of not being met.</p> <p>Conclusion: the IJB will find it challenging to deliver the efficiency savings it requires to achieve over the coming years while continuing to sustain the existing levels of service.</p>
<p>4 Financial planning – longer term planning</p> <p>Both the integration scheme and the strategic plan state that the IJB should have medium term financial planning.</p> <p>The IJB does not currently have a medium to long term financial strategy or plan in place.</p> <p>There is a risk that the IJB does not have a strategic approach towards how it will finance its longer term service delivery objectives</p>	<p>Review the progress the IJB have made towards its medium or long term financial strategy; and confirm that the assumptions are reasonable and consistent with the IJB’s strategic plan objectives.</p>	<p>There is still no medium or longer term financial strategy or plan in place.</p> <p>The IJB is currently finalising its refresh of the Joint Strategic Needs Assessment - which informs demand pressures for the partnership. Furthermore, the National Care 5 Year Framework will be available in the next few months which should provide additional clarity on how much additional health spending there will be nationwide in future years.</p> <p>The publication of these reports will give the Chief Finance Officer a clearer picture of how the budget for the partnership will look in future years, which will clarify assumptions in the medium term financial plan.</p> <p>The IJB hopes to have this implemented by the end of 2018/19.</p> <p>Conclusion: the IJB is aware that it needs to improve its longer term financial planning. The publication of the reports outlined above will help the IJB to move forward and implement a strategy showing budget estimations for future years.</p>

Appendix 3

Summary of national performance reports 2017/18

		 2017/18 Reports	
		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	 Scotland's colleges 2017
		Jul	 NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	 NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

Reports relevant to Integration Joint Boards

[Self-directed support: 2017 progress report](#) – August 2018

[NHS in Scotland 2017](#) – October 2018

Clackmannanshire and Stirling Integration Joint Board

2017/18 Annual Audit Report

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