

Fife Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Fife IJB and the Controller of Audit
28 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 Our audit opinions were all unqualified.

Financial management and sustainability

- 2 The IJB did not set a balanced budget for 2017/18 and was again deficit funded by partner organisations at the year end to cover an £8.8 million in year overspend.
- 3 A three-year recovery plan was agreed with partners as part of the 2018/19 budget setting process, but progress is already falling behind and the extent of projected future year budget gaps is substantial at £32 and £48 million. We conclude that the IJB has not yet achieved financial sustainability and looks unlikely to do so over the medium term.

Governance, transparency and value for money

- 4 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. Further improvements could be achieved by holding committee meetings in public and ensuring clarity around partners roles and responsibilities.
- 5 The annual performance report shows significant improvement with 61% of indicators above the national average.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Fife Integration Joint Board (the IJB).
2. The scope of our audit was set out in our Annual Audit Plan presented to the 14 March 2018 meeting of the Audit and Risk Committee. This report comprises the findings from an audit of the IJB's annual accounts and 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:
 - obtaining service auditor assurances on the main financial systems used for IJB transactions from the auditors of NHS Fife and Fife Council
 - 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 also 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 have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000, 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 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

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

Audit opinions on the annual accounts

15. The annual accounts for the year ended 31 March 2018 were approved by the IJB Board on 27 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 other information in the annual accounts, the adequacy of accounting records, or 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 29 June 2018 in line with our agreed audit timetable. The working papers provided were of a good standard and the Chief Financial Officer provided good support to the audit team which helped ensure the audit process ran smoothly.

Risks of material misstatement

18. [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

19. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. On receipt of the annual report and accounts we reviewed our planning materiality and concluded that, no changes to the planning materiality levels were needed (see [Exhibit 2](#)).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£5.5 million
Performance materiality	£3.3 million
Reporting threshold	£55,000

Source: Audit Scotland, 2017/18 Annual Audit Plan

Significant findings from the audit in accordance with ISA 260


20. 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.

21. A key part of our audit work includes coming to a view 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 Publication of unaudited accounts</p> <p>Local Authority Accounts (Scotland) Regulations 2014, regulation 8 states:</p> <p>“The local authority must publish a copy of the Annual Accounts submitted to the auditor, clearly identified as an unaudited version, on a website of the authority from the date they are submitted until the date on which the audited Annual Accounts are published in accordance with regulation 11.”</p> <p>The unaudited accounts were submitted to us on 29 June 2018 but were not put on the website at that date.</p>	<p>We raised this with the Chief Finance Officer on 4 July 2018 and immediate action was taken. The unaudited accounts have been available on the website since 5 July 2018.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p>

Evaluation of misstatements

22. There were no misstatements that had an impact on the unaudited annual report and accounts.

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.

Follow up of prior year recommendations

24. 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).

25. In total, six agreed actions were raised in 2016/17. Of these:

- two are complete
- three are ongoing
- one had not been actioned

26. Overall the IJB has made adequate 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 did not set a balanced budget for 2017/18 with £2.1 million of unidentified savings included.



The IJB was again deficit-funded in 2017/18 by both partner organisations to cover the £8.8 million in-year overspend.

A three-year recovery plan was agreed with partners as part of the 2018/19 budget setting process, but progress is already falling behind

The extent of projected future year budget gaps is substantial at £32 million and £48 million. We conclude that the IJB has not yet achieved financial sustainability and looks unlikely to do so over the medium term.

Financial management

27. 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.

28. The Chief Financial Officer post-holder changed during the year and both officers had sufficient status and responsibility for ensuring that appropriate financial services were available to the IJB and the Chief Officer.

29. The Chief Finance Officer prepares and presents performance reports to each meeting of the Finance and Performance Committee and the IJB. From attendance at the committee and board meetings we have observed members challenging and questioning officers on the financial position.

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

financial information to the IJB. However, we note that financial reports to members are generally two months behind the period they relate to, for example the November board meeting considered information to the end of August. We reviewed the reports throughout the year and found it was not easy to:

- track in-year variances against the initial budget and clearly identify additional funding provided during the year
- trace explanations for variances in appendices back to narrative detail in the reports
- confirm savings delivered against planned.



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

2017/18 budget

31. In 2017/18 the budgeted expenditure was £496.4 million and expected funding was £475 million prior to an additional £5 million being provided by Fife Council. The budget depended on delivering savings of £16.9 million, but £2.1 million of this was unidentified at the start of the year, effectively meaning the board did not set a balanced budget at the outset. We also noted the savings required were £0.5 million more than the funding gap but it was not clear what this was for.



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

Financial performance in 2017/18

32. The IJB allocates the resources it receives from the health board and council in line with its Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget and at that point it was deemed that the IJB was around £15 million underfunded. Although a savings and investment plan was approved in August 2016 this only partially addressed the gap. The inability to address the prior-year savings requirement has had an adverse impact on the IJB's financial position this year.

33. During 2017/18 budget reports consistently showed a projected overspend as can be seen in [Exhibit 4](#).

Exhibit 4

Financial Monitoring reports showing projected outturn for overspends

	Budgeted funding £m	Forecast outturn £m	Forecast overspend £m	Percentage of funding %
June 2017 (period 3)	504.6	515.1	10.5	2.0
August 2017 (period 5)	506.7	518.9	12.2	2.4
December 2017 (period 9)	509.7	520.0	10.3	2.0
March 2018 (year-end position prior to risk share)	511.6	520.4	8.8	1.7

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

34. There was a significant improvement in the social care projection resulting in a £1.7 million swing in the year-end outturn position. This impacted on the risk-share agreement between the partners (providing NHS Fife with an unexpected improvement in expenditure position) and members sought assurances that this situation will not be repeated. This effectively increases the expectations of the accuracy of the budget forecast.

35. As shown in [Exhibit 4](#) the IJB incurred an overspend of £8.8 million during 2017/18, mainly on hospital services (£5 million), prescribing (£3.5 million) and social care (£2 million) offset by underspends of £2 million in children's services and community health care. The overspend was met by additional one-off funding from both partners resulting in the breakeven position reported in the financial statements. The outturn before deficit funding is an improvement on the £9.3 million in 2016/17. There was an overspend of £2.3 million on the acute set aside which was retained by NHS Fife and was not included in the risk share arrangement in place.

Efficiency savings

36. The IJB is required to make efficiency savings to maintain financial balance. In 2017/18 the required savings identified in the budget were £16.9 million (3.4 per cent). The actual savings achieved was £13 million largely due to delays in redesigning community services, which will now commence in 2018/19. We note that the "Joined up Care" consultation is underway to bring community and hospital services together.

Financial planning

37. A three-year financial plan has been approved by the IJB setting out the budget gaps for the period 2018-20 (see paragraph 39). This resulted from the medium term financial outlook which was submitted to the IJB in November 2017 detailing the financial challenges. The outlook was a high level document and did not detail key actions, deliverables or owners.

38. A recovery plan was agreed with partners as part of the 2018/19 budget setting process and a financial strategy is being scoped which will detail keys actions by workstream and how achievement will be measured over the life of the plan.

39. After identifying savings of £13 million for 2018/19 the budget gap was reduced to £5.2 million and approved as a budget deficit funded by partners. For the next two financial years the budget gap is £31.8 million and £46.7 million respectively. The IJB has been unable to deliver its savings target in the last two years and as at August 2018 an overspend of around £3 million is being projecting on the first year of the recovery.

40. Taking into consideration the underlying due diligence position, the two-year deficit funded position, the current-year recovery plan progress, the scale of future budget gaps and the early phase of the transformation programme, we conclude that the IJB has not yet achieved financial sustainability and looks unlikely to do so over the medium term. While this position continues the partner bodies (NHS Fife and Fife Council) continue to bear the financial risk of budget deficits.

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.



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

Systems of internal control

41. The IJB relies on its partners key financial systems such as the ledger and payroll. 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 for either the health or the council which would have an impact on the IJB.

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. Further improvements could be achieved by holding committee meetings in public and ensuring clarity around partners roles and responsibilities.



The annual performance report shows significant improvement, with 61% of indicators above the national average.

Governance arrangements

42. The IJB is supported by three standing committees: Clinical & Care Governance, Finance & Performance and Audit & Risk. The Scheme of Integration sets out the governance arrangements for membership of the IJB.

43. 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 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 three partners agreed to review the approach during the year to ensure clarity across the three bodies.

44. A Governance Review Group was established and proposals were made to the council and health board in autumn 2017. No agreement has been reached on how to take this forward and the group has recently decided to put the project on hold.

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

Transparency

45. 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.

46. Full details of the IJB Board meetings, including papers and minutes are available through the Fife Health and Social Care Partnership page of Fife Council's website. The IJB receives regular financial monitoring reports which highlight the projected spend and details of savings that require to be delivered although we have identified some areas to strengthen this at paragraph 30.

47. Board meetings are held in public but the three standing committees - Audit & Risk, Finance & Performance and Clinical & Care Governance are held in private and there are no papers available for the committees on the website.



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

48. In order that the IJB can be considered fully transparent, committee meetings should be open to the public with non-restricted papers available on the website.

Internal audit

49. 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.

50. 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.

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

51. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. The IJB uses the financial systems of Fife Council and NHS Fife and so anti-fraud arrangements in respect of the financial systems is the responsibility of these organisations. The IJB can monitor the controls in place through the updates received from the partner bodies on fraud cases relating to the delegated areas of health and social care.

Other governance arrangements

52. The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. Its Participation and Engagement Network (PEN) is key to getting the views of patient and service users, partner agencies and staff and ensuring their voices are heard. The chair of the PEN is the public representative on the IJB Board.

Value for money and performance management

53. 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.

54. The IJB relies heavily on the partner bodies complying with their own best value and procurement guidance. We are not aware of the IJB undertaking an annual self-assessment IJB's performance against the Scottish Government Best Value framework.

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



[Recommendation 6 \(refer appendix 1, action plan\)](#)

55. A key aspect of delivering on the best value duty will be evidenced by expanding the directions to partners to include more specific detail of the services being commissioned. This development is being progressed by the IJB during 2018/19.

56. 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.

57. 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 and details the number of requests and complaints received. The reports are available through board papers on the IJB's website

58. 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 plans (if applicable).

59. A draft performance report was submitted to the IJB Board meeting on 30 August 2018 which was outside the four-month statutory requirement. Our review of the draft report confirmed that all the areas expected per the guidance had been included. However, the detail could be clearer, for example, it was not easy to link the nine national outcomes outlined on page 8 of the report to the appendix which detailed how well the IJB had performed against the indicators.



[Recommendation 7 \(refer appendix 1, action plan\)](#)

60. The report is designed around the four strategic priorities identified in the Strategic Plan and these are linked to the Scottish Government's nine health and wellbeing outcomes:

- Prevention and early detection
- Integrated and co-ordinated care
- Improving mental health services
- Reducing inequalities.

61. The IJB assesses its performance against 23 different measures – the nine national health and wellbeing outcomes and 14 of its own strategic commissioning measures. These are outlined in the appendix to the annual report. Data for five of the 2017/18 indicators was not available. The IJB reported performed was at the national average in one (6%) of the remaining 18, just below the national average in six (33%) and above average in eleven (61%) of the indicators. This is a significant improvement on the previous year when only one indicator was reported above the average.

62. The annual report also highlights where further work is planned, particularly around locality planning, redesign of mental health services and joined up care including the out of hours service.

National performance audit reports

63. 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](#).

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Publication of unaudited accounts</p> <p>Local Authority Accounts (Scotland) Regulations 2014, regulation 8 states:</p> <p>“The local authority must publish a copy of the Annual Accounts submitted to the auditor, clearly identified as an unaudited version, on a website of the authority from the date they are submitted until the date on which the audited Annual Accounts are published in accordance with regulation 11.”</p> <p>This was not done in 2017/18</p> <p>Risk</p> <p>The board does not fully comply with regulations on publication of unaudited accounts.</p>	<p>Unaudited accounts should be made available on the website from the date they are submitted to audit until the date the audited accounts are available.</p> <p>Paragraph 21</p>	<p>This was rectified immediately and has been added to the Annual Accounts Plan for future years.</p> <p>Chief Finance Officer</p> <p>13 September 2018</p>
2	<p>Clarity of reporting</p> <p>Finance reports tend to be two months out of date and do not clearly show where changes to the initial agreed budget have been made. Details in appendices and the narrative sections of the report are not always consistent. The savings delivered against plan can also be difficult to determine. We also found the 2017/18 savings target was £0.5 million more than the budget gap but the reason for this was not explained in the reports</p> <p>Risk</p> <p>The financial position is not scrutinised on a timely basis to enable action to be taken.</p>	<p>Information provided to members should be reasonably up to date and presented in a clear and succinct way to enable effective scrutiny to take place.</p> <p>Paragraph 30</p> <p>Paragraph 31</p>	<p>It has been approved at the IJB in August 2018 that if no committee is scheduled to take place we will submit the latest financial report by email to the Finance and Performance Committee members. This will impact from October 2018. Management Accounts information is not received in full until the end of the 3rd week of the prior end of month.</p> <p>Chief Finance Officer</p> <p>31st October 2018</p>


No. Issue/risk
Recommendation
Agreed management action/timing

The detail in financial reports do not enable members to fully assess and challenge officers on the financial position.

3 Financial sustainability and transformation

We conclude that the IJB has not yet achieved financial sustainability and looks unlikely to do so over the medium term. Progress on redesigning health and social care services and transforming how these are delivered has been slower than anticipated.

Risk

The IJB will not be able to deliver financial sustainability over the medium term and the partner bodies will continue to bear the financial risk of adverse outturns which will detract from activities to transform services

The IJB and partner bodies review the financial position and financial sustainability of the IJB and then focus on delivering a longer-term transformation programme.

[Paragraph 40](#)

The HSCP have agreed with partners and approved by the IJB on 20 March 2018 to develop a three year financial strategy to implement transformational change over the next 3 years to ensure financial sustainability at the end of this period. This strategy will be submitted for approval to Partners and IJB for approval prior to budget setting for 2019-20.

Director of Health and Social Care

31st January 2019

4 Review of governance arrangements

The three partners agreed to review governance arrangement to ensure clarity across the three bodies on roles and responsibilities. Although proposals have been made there has been no agreement reached to date.

Risk

There is a risk that uncertainty over roles, responsibility and authority cause confusion and uncertainty around scrutiny and decision making.

The partners should agree their roles, responsibilities and authority to ensure there is no uncertainty for either members or users of the service.

[Paragraph 44](#)

Concerns previously expressed about governance have focused on the relationship between clinical governance in the NHS and clinical and care governance in the HSCP. Actions have been taken – informed by the review that took place last year – to improve clarity in that relationship. The Medical Director and Nursing Director for NHS Fife now routinely attend HSCP Clinical and Care Governance to ensure good communication. The decision of the IJB to approve the Joining Up Care consultation was an example of increased clarity about the IJB's responsibility for strategic decision making in relation to the matters delegated to it. Further consideration will be given during 2018/19 to clarifying governance arrangements in the light of work being done by Scottish Government on a review of integration and the Audit Scotland report on integration

**No. Issue/risk****Recommendation****Agreed management action/timing**

			that is due to be published shortly. Director of Health and Social Care Partnership. 31 March 2019
5	Board meetings are held in public but the three standing committees - Audit & Risk, Finance & Performance and Clinical are held in private and there are no papers available for the committees on the website. Risk IJB decision making is not fully open and transparent.	Committee meetings should be open to the public with non-restricted papers available on the website Paragraph 47	This will be reviewed and discussed at committees by end of November 2018 Chief Finance Officer 30 November 2018
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. Paragraph 54	A formal review process and timetable will be developed and implemented for the HSCP by 31 Dec 2018 Chief Finance Officer 31 December 2018
7	Annual performance report A draft annual performance report was submitted to the board in August 2018 a month later than the statutory requirement. The report included all the areas expected but the detail could have been clearer, for example, it was not easy to link the nine national outcomes outlined on page 8 of the report to the appendix which detailed how well the IJB had performed against the indicators. Risk The IJB does not comply with statutory reporting deadlines and the information reported is not clear and understandable.	The annual report should be made available within four months of the year end and the information provided in both the body and appendices should be reviewed. Paragraph 59	Agreed we shall ensure completed prior to 31 July in future years. The report currently details how each areas links back to the National Outcomes by use of an icon to provide clarity for the reader this will be added to the Appendix also in future years. Head of Strategic Planning, Performance and Commissioning Agreed date: 31 March 2019



No. Issue/risk

Recommendation

Agreed management action/timing

Follow up of prior year recommendations

b/f	<p>1. Remuneration Report</p> <p>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%)</p> <p>Risk</p> <p>The board's remuneration report does not accurately reflect the payments earned by officers.</p>	<p>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.</p>	<p>Complete.</p> <p>This issue related to officers paid through Fife Council's payroll system. Both the Chief Officer and (new) Chief Finance Officer are employed via NHS Fife therefore the issue is no longer relevant.</p>
b/f	<p>2. Advertising accounts</p> <p>Although the accounts were available for review in accordance with the regulations they were only advertised as publicly 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.</p> <p>Risk</p> <p>The IJB does not fully comply with the statutory requirement period for advertising the accounts for public inspection</p>	<p>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.</p>	<p>Complete</p> <p>The advert this year addressed the issues raised last year.</p>
b/f	<p>3. Financial reporting & efficiency savings</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>Risk</p> <p>The detail in the Board's financial reports do not enable members to</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>On-going – see 2017/18 points 2 and 3 above.</p> <p>A three-year recovery plan has been agreed with the partners to get the IJB to a balanced budget position. Detailed savings plans are being developed as a result and we will monitor progress throughout the period of the plan.</p>

**No. Issue/risk****Recommendation****Agreed management action/timing**

	<p>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>		
b/f	<p>4. Medium to long term financial planning</p> <p>The Board has no financial plans in place beyond 2017/18.</p> <p>Risk</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>On-going – see 2017/18 point 3 above.</p> <p>A medium term financial outlook was submitted to the IJB in November 2017 detailing the financial challenge. A three-year financial strategy and project plan to address the issues in the outlook document is currently being developed.</p>
b/f	<p>5. Transparency</p> <p>The papers for the standing committees of the IJB are not publicly available.</p> <p>Risk</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>Not actioned – see 2017/18 point 5 above</p> <p>No change has been made to date</p>
b/f	<p>6. Best Value</p> <p>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.</p> <p>Risk</p> <p>Opportunities for improvement through Best Value review may be missed</p>	<p>The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.</p>	<p>On-going – see 2017/18 point 6 above.</p> <p>Value for Money is directly referenced within the Health and Social Care Integration Joint Board Strategic Plan 2016 – 2019. The IJB relies on the partner bodies complying with their own best value and procurement guidance. Directions to partners are being developed to include more specific detail of services commissioned as well as financial aspects.</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>Agreement of balances and transactions to Fife Council and NHS Fife financial reports/ correspondence.</p> <p>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.</p>	<p>Results 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>Our review of the financial reporting found it was consistent with partner bodies records.</p> <p>Conclusion 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>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>2 Financial management and sustainability</p> <p>The initial budget for 2017/18 identified a budgeted overspend of £1.8m. The Financial Recovery Plan is designed to address the medium term financial outlook of the IJB but does not fully address the 2017/18 shortfall.</p> <p>Finance reports are presented to every meeting of the IJB, however the information presented is generally two months old.</p> <p>The IJB has identified an optimal general reserve position of £8 million, although this will not be achieved in the foreseeable future. Currently there are no reserves held.</p>	<p>Confirmation of funding and balances with host bodies.</p> <p>Consideration of the development of a transformational change programme, and how transformation of services contributes to the financial sustainability of the IJB.</p> <p>Continuing to monitor the in-year and year-end financial position and any further funding decisions.</p>	<p>Results We received confirmation of balance agreed by the partners for the annual accounts. Financial pressures continue in 2018/19 and progress with transformation/redesign has been slower than anticipated. The IJB and partners recognise the financial pressures cannot be resolved in one year and have agreed a three-year recovery plan, which shows early signs of slippage.</p> <p>Conclusion The overspend was once again 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 Appendix 1</p>











Audit risk	Assurance procedure	Results and conclusions
<p>Without appropriate medium term financial plans or sufficient reserves, there is a risk that Fife IJB is not financially sustainable and continues to be dependent on additional year-end funding from NHS Fife and Fife Council.</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

Fife Integration Joint Board

2017/18 Annual Audit Report

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