

Western Isles Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Western Isles Integration Joint Board 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.

Contents

Key messages	4
Introduction	5
Part 1 Audit of 2017/18 annual accounts	7
Part 2 Financial management and sustainability	10
Part 3 Governance, transparency and value for money	14
Appendix 1 Action plan 2017/18	18
Appendix 2 Significant audit risks identified during planning	20
Appendix 3 Summary of national performance reports 2017/18	22

Key messages

2017/18 annual report and accounts

- 1 Our audit opinions were all unqualified.
- 2 A change was made in the audited financial statements to reclassify £2.5 million of reserves as earmarked.

Financial management and sustainability

- 3 Financial reporting throughout the year was not representative of the final outturn position. The IJB achieved an unexpected underspend of £3.1 million and now has cumulative reserves of £6.1 million. Most of the underspend emerged due to late funding and historic under accrual of care contributions.
- 4 The 2018/19 budget identifies a funding gap of £1.4 million, which is to be met by using reserves (£0.4 million) and planned savings (£1.0 million). However these savings plans contain an element of non-recurrent savings (£0.3million) leading to an increasing risk to financial sustainability.

Governance, transparency and value for money

- 5 The annual performance report supports the IJB in demonstrating Best Value and recent reports by inspectorates have been positive.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of Western Isles Integration Joint Board, hereby referred to as 'WIIJB'.

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 WIIJB'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 from the auditors of NHS Western Isles (NHSWI) and Comhairle nan Eilean Siar (CNES).
- an audit of WIIJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
- consideration of the four audit dimensions.

4. WIIJB 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 WIIJB'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.

In the audited financial statements a change was made to reclassify £2.5 million of reserves as earmarked.

Audit opinions on the annual accounts

15. The annual accounts for the year ended 31 March 2018 were approved by the board on 11 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 the other information in the annual accounts, 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 18 June 2018 in line with our agreed audit timetable. The working papers provided were of a good standard and the Chief Finance Officer provided 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, the materiality levels required only minor adjustment. These are shown at [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£0.7 million
Performance materiality	£0.4 million
Reporting threshold	£20,000

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

- | | |
|---|---|
| <ul style="list-style-type: none"> Accounting policies | <ul style="list-style-type: none"> Accounting estimates and judgements |
| <ul style="list-style-type: none"> Significant financial statements disclosures | <ul style="list-style-type: none"> Timing of transactions and the period in which they are recorded |
| <ul style="list-style-type: none"> The impact on the financial statements of any uncertainties | <ul style="list-style-type: none"> The effect of any unusual transactions on the financial statements |
| <ul style="list-style-type: none"> Misstatements in the annual report and accounts | <ul style="list-style-type: none"> Disagreement over any accounting treatment or financial statements disclosure |

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Accounting for reserves</p> <p>The IJB reserves strategy from March 2017 identifies that the total general reserves the IJB can hold, will be a maximum of £1.5 million.</p> <p>At 31 March 2018, WIIJB held reserves of £6.1 million. Of this amount £5.5 million has been earmarked and £0.6 million remains as a contingency. The unaudited financial statements disclosed unallocated reserves of £3.1 million.</p>	<p>Management reviewed disclosures in the financial statements and have revised the level of unallocated reserves to agree with the five year investment plan for investing IJB reserves approved by the Board in June 2018.</p>

How we evaluate misstatements

22. Individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements apart from one cut-off error in care income. The impact on the annual accounts would be an overall increase in net income of £42,000 and an overall increase in net assets of £42,000.

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

24. We have concluded that the errors are contained and do not indicate further systematic error within account areas or more pervasively within the financial statements. We considered the impact of these misstatements on our audit approach and decided that further audit procedures were not required.

Good practice in financial reporting

25. The Chief Finance Officer has taken steps to improve the annual accounts and reflect some of the 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, 4 agreed actions were raised in 2016/17. Overall WIIB has made good progress in implementing these actions, with two of these fully implemented. For one of the actions not yet implemented, a revised response and timescale has been agreed with management in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

The IJB achieved an unexpected underspend of £3.1 million and now has cumulative reserves of £6.1 million. Most of the underspend emerged due to late funding and historic under accrual of care contributions



The 2018/19 budget identifies a funding gap of £1.4 million, which is to be met by using reserves (£0.4 million) and planned savings (£1.0 million). However, these savings plans contain an element of non-recurrent savings (£0.3million) leading to an increasing risk to financial sustainability.

WIIJB should continue to develop long term financial plans.

Financial management

28. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements.

29. Board members receive monthly financial monitoring reports via email, as well as a quarterly report presented at the Board Meeting. The financial monitoring reports are clear and concise, outlining expenditure against budget in the delivery of the range of health and social care services described within the IJB's strategic plan.

30. An indicative budget for 2017/18 was approved by the IJB in March 2017. This identified a funding gap of £1.5 million (2.5% of the total expenditure in the year). A tracker system of specific savings projects was maintained to address the funding gap; £460k of these savings (31%) were rated as high risk.

31. As detailed in [Exhibit 4](#), the IJB was forecasting a small underspend in its financial reporting to period 10 with achievement of all projected cash savings. The audited accounts at the year end disclosed an underspend on the provision of services for the year of £3.1 million. An analysis of the underspend is set out in paragraph 32.

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

Exhibit 4

Financial Monitoring reports showing projected outturn for over/(underspends)

	Year end forecast £m
July 2017 (period 4)	(0.1) <1%
October 2017 (period 7)	(0.2) <1%

	Year end forecast £m
January 2018 (period 10)	(0.1) <1%
Accounts as at March 2018	(3.1) 5%

Source: Financial Monitoring Reports taken to IJB

32. The underspend of £3.1 million relates primarily to an increase in income generation of £1.3 million from outstanding assessments of residential care charges, £1.3 million additional Scottish Government earmarked funding to the IJB routed through the Comhairle, and an underspend of £0.5 million on the homecare service.

33. The system for individual financial assessments for care charges transferred to the Comhairle's Revenue and Benefits team in 2015. Since then the team has been working through a backlog of assessments. Delays in appointing a guardian, obtaining financial details from individuals and banks in order to determine recurrent income and assets contributed to the backlog and time taken to resolve.

34. In the absence of a full financial assessment, the Comhairle assumed minimum income contributions (effectively state pension) with the result that contribution income accruals were for the minimum amounts. As the backlog of assessments reduces the Comhairle has been raising invoices for substantial amounts of additional income as the minimum income assessment has proven to underestimate actual income and assets. This has resulted in additional income of £1.3 million.

35. Although a number of reports went to the Board in relation to the backlog of assessments relating to care charges, financial monitoring reports presented to the Board during 2017/18 did not take into account the transfer of this additional income or the transfer to earmarked funds when projecting the year-end result. Consequently, the value of the year end surplus was not clear until the unaudited annual accounts were presented to the Board in June 2018.

36. It doesn't yet appear that the financial reports are able to project the year end outturn with sufficient accuracy. This is increasingly important as demand and financial pressures increase. Board reports require to provide sufficient information to allow members to review financial performance and make informed decisions.

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

Reserves strategy

37. At 31 March 2018, WIIJB held reserves of £6.1 million. Of this amount £5.5 million has been earmarked and £0.6 million remains as a contingency.

38. WIIJB reserves are represented by debtor balances due from Comhairle nan Eilean Siar of £5.8 million and £0.2 million from NHS Western Isles. In June 2018 the Board approved a five year investment plan for investing IJB reserves focused on three broad areas:

- £1.1m in support of a Sustainable Workforce
- £1.9m in support of Digital Innovation and Infrastructure
- £1.1m in support of Service Transformation

39. The investment plan outlines that £1.4 million of IJB reserves are to be applied in 2018/19, increasing to £2.1 million in 2019/20.

Financial planning

40. A total funding gap of £1.4 million has been identified for 2018/19 to be met by £1.0 million savings proposals and the use of £0.4million unallocated reserves. Savings proposals include:

- Reduction in the cost of bespoke high cost packages (£0.1 million)
- vacancy savings on CNES pay budgets (£0.2 million)
- reduction in NHS sickness absence (£0.2 million).

41. A further 19 savings proposals, the majority of which do not exceed £50,000, provide the remaining £0.5 million. 35% of the savings proposals are considered high risk and may not be achieved in their entirety. These include the reductions in NHS sickness absence and cost of bespoke high cost packages referred to above.

42. The IJB is placing increasing reliance on non-recurring savings. Recurring savings of £0.7 million (70%) are proposed in 2018/19, a reduction from the 99%position in 2017/18.

43. In 2016/17 we reported that WIIJB should develop medium to long term financial plans based on demand and resource assumptions using sensitivity analysis and scenario planning.

44. Internal audit reviewed the IJB's financial planning process during 2017/18 and reported that the IJB has in place a budget strategy for the two year period 2017-19 supported by a three year financial plan. However they also recommended that the Financial Plan and Budget Strategy be further developed over a 5 year period and linked together with the Strategic Plan and Workforce Strategy to promote the transformational change necessary to provide an integrated health and social care system and close the funding gaps in 2018/19 and 2019/20.

45. The medium term financial sustainability looks increasingly difficult with reliance on reserves and non-recurrent savings in the immediate budget. A five year plan was produced in 2017/18 which showed the likely funding gap for the IJB till the end of 2021/22 ([Exhibit 5](#)) which has been used in the strategic plan refresh. The forecast shows an increasing funding gap but does not take into account any future efficiency savings, use of reserves or scenario planning. The IJB should ensure that its longer term financial plans include scenario planning or modelling.

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.

Exhibit 5 Budget gaps

	17/18 (£m)	18/19 (£m)	19/20 (£m)	20/21 (£m)	21/22 (£m)
Total Budget	58,031	59,815	61,278	62,760	64,313
Funding:					
Assume no increase in funding	58,031	58,031	58,031	58,031	58,031
Comhairle 1% savings		(196)	(200)	(204)	(208)

	17/18 (£m)	18/19 (£m)	19/20 (£m)	20/21 (£m)	21/22 (£m)
	58,031	57,835	57,831	57,827	57,823
Gap	0	(1,980)	(3,447)	(4,933)	(6,490)
Gap as % budget	0	3.3%	5.6%	7.9%	10.1%

Source: IJB Financial Plan

Systems of internal control

46. WIIJB does not have any financial systems of its own, instead it relies upon the financial systems of the host bodies to record all transactions.

47. As part of our audit approach we sought assurances from the external auditor of NHS Western Isles and CNES (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal control for the health board. For the weaknesses identified within the payroll system at the council the audit procedures were adapted by the external auditor to enable the required assurances to be obtained.

Part 3

Governance, transparency and value for money



Main judgements

The IJB has reviewed its governance arrangements and has actions to ensure continuous improvement



The annual performance report covers all expected areas and highlights how achievements align to the IJB's four Strategic Objectives. It also supports the IJB in demonstrating Best Value

Recent reports by inspectorates have been positive.

Governance arrangements

48. The Board is responsible for the strategic planning, management and delivery of the health and social care services delegated to it in line with the Integration Scheme between its two partner bodies. The Western Isles Integration Joint Board consists of four local authority elected members, four Health Board Non-Executive Directors, trades unions, third sector representatives, patient and service user representatives and professional representatives from across health and social care.

49. The Board has established an integrated corporate management team (ICMT) and senior management team (SMT). The ICMT is chaired on an alternating basis by the NHS Western Isles and CNES chief executives. Membership of the SMT extends beyond integration joint board delegated services with representation from NHS acute and secondary services.

50. Following a review of the adequacy and effectiveness of the Board's local governance arrangements, a number of action points were identified which will enhance local governance arrangements and ensure continual improvement of governance, including:

- a development session in June 2018 to introduce members to service leads, along with discussion around the implementation of the strategic plan and a stock-take on shifting the balance of care
- a development session in December 2018 to be used as the annual meeting between Health Board, Comhairle and IJB
- members to highlight their development needs through a standard questionnaire and shadowing/learning opportunities to be put in place and tailored to these needs.

51. The arrangements in place continue to support good governance and accountability.

Transparency

52. 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.

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.

53. Full details of the meetings held by the IJB are available on its website; committee papers and minutes of meetings are publicly available; and members of the public are permitted to attend and observe meetings.

54. Overall, we concluded that the IJB conducts its business in an open and transparent manner. Financial information disclosed in the management commentary is consistent with the financial statements.

Internal audit

55. The work of internal audit provides the IJB and the Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

56. The IJB's internal audit function is carried out by the internal audit department of CNES. During our planning stage, we carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

57. There were no issues identified by internal audit that had an impact on our audit of the IJB's annual accounts.

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

58. The IJB uses the financial systems of CNES and NHS Western Isles and so arrangements for the prevention and detection of fraud, bribery and corruption in respect of the financial systems is the responsibility of these organisations. The IJB does, however, have an awareness and is alerted of any such instances.

59. We are satisfied that the IJB has adequate arrangements in place for the prevention and detection of fraud, bribery and corruption, although it is acknowledged that no system can eliminate the risk of fraud entirely.

Value for money and performance management

60. Best Value duties apply to accountable officers across the public sector. Inverclyde IJB receives assurance that the services supporting the delivery of its strategic plan are securing Best Value through various forums including Board meetings; the audit committee; and relevant committee meetings at NHS Western Isles and CNES.

61. Level 1: National Core Indicators are reported biannually to the IJB, and Level 2: Public delegated targets are reported quarterly to the IJB and parent body Corporate Management Team's. These reports also correlate to the annual performance report.

62. The IJB's annual performance report 2017/18 was completed within the timescale required by The Public Bodies (Joint Working) (Scotland) Act 2014 and was presented to the Board in June 2018. This report assists the Board in demonstrating that the IJB is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

63. 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 and an inspection of services, and a review of strategic commissioning plan.

64. Western Isles IJB's annual performance report covers these areas and aims to highlight throughout the report how achievements are aligned to its four Strategic Objectives. These are:

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

- Changing services through the Strategic Plan
- Effective investment of resources
- Supporting robust Locality Planning
- Operational integration of services.

65. The annual performance report also provides a summary of the IJB's performance against the 23 national indicators (the most recently available quantitative measures relate to 2016/17). It highlights that Western Isles IJB is performing below the national average against eight indicators. These include premature mortality rates; emergency admission rates; number of days people (75+) spend in hospital when they are ready to be discharged; and rate of emergency bed days for adults. Performance was classed as above average in eleven indicators. Four of the indicators are still under development.

Inspectorate reports

66. The Care Inspectorate and Healthcare Improvement Scotland carried out a joint inspection of services for older people in the Western Isles between May and June 2015. The inspection report was published in March 2016 and highlighted some significant weaknesses in the partnership's performance. A progress review was undertaken in May 2018 to assess and report on the improvements the partnership had made to address the identified weaknesses. The report arising from the progress review was published in July 2018 and is available on the care inspectorate website <http://www.careinspectorate.com/>

67. The original joint inspection had made twelve recommendations for improvement. The progress review identified that the partnership had responded well to the recommendations and had made either very good or good progress in addressing almost all of them. In particular, the review noted significant improvement in the partnership's performance in addressing delayed discharges of older people from hospital, and its redesign of the care at home service which had been informed by extensive service user and staff engagement.

68. The progress review concluded that the partnership was now in a much better place than it had been back in 2015.

National performance audit reports

69. 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](#).

Good practice

70. The Care Inspectorate and Health Improvement Scotland progress review reported in July 2018 that the partnership had some innovative and exciting approaches to the use of technology and that there was a keenness to try to find solutions to some of the ICT difficulties that have challenged integrated working between health and social work staff nationally.

71. In particular, the partnership had developed a digital health platform called MORSE which was being used by health staff to communicate with each other and with patients and which had the potential to be compatible with the council's social work care management system once its upgrade was completed. The partnership believed itself to be the only one in Scotland using a robotic diagnostic tool that was manufactured in the USA and which allowed consultants based anywhere in the UK to undertake and share the results of diagnostic tests and to undertake clinics remotely. This avoided the need for patients having to undertake lengthy and stressful travel to the mainland.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Provision of financial information by Comhairle</p> <p>The final monitoring report presented to the Board in March 2018 (to period 10) forecast a planned in-year underspend of £0.1 million. The final position reported in the annual accounts discloses an underspend of £3.1 million,</p> <p>The period 10 report did not take into account the transfer of additional income or the transfer of earmarked funds from the Comhairle when projecting the year-end result. Consequently, the value of the year end surplus was not clear until the unaudited annual accounts were presented to the Board in June 2018.</p> <p>Risk</p> <p>The Board does not have the opportunity to scrutinise a recent financial position. This delay could prevent identification and mitigation of a future overspend position.</p>	<p>The IJB should review its financial monitoring arrangements and work with partner organisations to ensure that accurate/ timely information is available.</p> <p>Paragraph 36</p>	<p>Regular review meetings with will be held with the Head of Exchequer to ascertain the likely outturn from client income charges at key points during the years. Reporting in year will be amended to take into consideration any unspent transfers of funds from NHS to Comhairle as they occur.</p> <p>Chief Finance Officer 1 Dec 2018</p>

Follow up of prior year recommendations

b/f	Financial monitoring report improvement	Financial monitoring reports should be reviewed to ensure that they include reliable financial projections.	<p>In progress</p> <p>Performance is reviewed by finance officers, Integrated Corporate Management Team and the Board. Refer to recommendation 1 in this action plan.</p>
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No. Issue/risk
Recommendation
Agreed management action/timing
b/f Reserves

A detailed review of earmarked reserves should be undertaken as part of the Board's overall approach to financial planning and the purpose and expected timescale of each reserve identified.

Complete

A detailed review of reserves has been undertaken and a reserves strategy agreed.

b/f **Medium to Long Term Financial Plans**

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).

In progress

The IJB has in place a budget strategy for the two year period 2017-19 supported by a three year financial plan.

b/f **Best Value**

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

Complete

Various forums provide assurance that services supporting delivery of the strategic plan are securing Best Value. Performance reporting is a regular agenda item within IJB Board meetings.

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 to 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 significant 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>We reviewed significant accounting estimates and did not identify any issues.</p> <p>We reviewed the process, accuracy and completeness of consolidating the financial reports from the two host bodies.</p> <p>We obtained written assurances from the external auditors of CNES and NHS Western Isles on the completeness, accuracy and allocation of the income and expenditure transactions of WIJB. No issues were noted.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>2 Financial Management</p> <p>The IJB agreed a budget for 2017/18 that included £1.5 million of required savings. At period 7, £175k of the required savings were forecast not to be achieved and £623k were considered high risk. Without appropriate medium term financial plans or sufficient reserves, there is a risk that the IJB is not financially sustainable and continues to be dependent on additional year-end funding from NHS Western Isles and Comhairle nan Eilean Siar.</p>	<p>Ongoing monthly reviews will be carried out to ensure all areas are monitored closely.</p> <p>A financial efficiency plan is in place and is continuously updated, to address areas of overspend.</p>	<p>We reviewed financial reports and projections prepared by the Chief Finance Officer. At period 10, the Board was projecting to achieve all required cash savings.</p> <p>We considered the findings from 2017/18 internal audit review of financial planning. The review highlighted the following as areas of good practice:</p> <ul style="list-style-type: none"> • Detailed and comprehensive monthly financial reporting; • A budget strategy and three year financial plan is in place; • Experienced and knowledgeable Chief Officer and Chief Financial Officer; and • An appropriate timetable along with a set of meetings has been put in place with effect from 1st April 2017 that will aid

Audit risk	Assurance procedure	Results and conclusions
		<p>monthly reporting and the year-end position.</p> <p>We noted the year-end underspend on social care services.</p> <p>We reviewed the medium term financial plan.</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

[NHS workforce planning](#) – July 2017

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

[Equal pay in Scottish councils](#) – September 2017

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

[Local government in Scotland: Financial overview 2016/17](#) – November 2017

Western Isles Integration Joint Board

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