



# South Ayrshire Integration Joint Board

2015/16 Annual Audit  
Report to members of  
South Ayrshire Integration  
Joint Board and the  
Controller of Audit

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Fiona Mitchell-Knight, Assistant Director, Audit Scotland is the engagement lead of South Ayrshire Integration Joint Board for the 2015/16 year.

This report has been prepared for the use of South Ayrshire Integration Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

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# Key messages

## Audit of financial statements

- The South Ayrshire Integration Joint Board became operational on 1 April 2015. The Board's annual accounts for its first year of operation (2015/16) have now been audited.
- The format and presentation of the Annual Accounts needs to be further developed to provide greater clarity for users.
- We have issued an unqualified independent auditor's report on the 2015/16 annual accounts.

## Financial management & sustainability

- In 2015/16 the Board spent some £202 million on delivering health and social care services to the citizens of South Ayrshire.
- The Board has implemented effective financial management arrangements.
- The sustainability of the Board's financial position is challenging and dependent on the identification of recurring savings.
- The Board's Change Programme taking forward service redesign projects will be a key driver of future sustainability.
- Regular budgetary control reports are provided to the Board and to NHS Ayrshire and Arran and South Ayrshire Council.
- There was an underspend for the year of £0.634 million against an allocated budget of £201.673 million.

## Governance & transparency

- The Board has satisfactory governance arrangements in place.
- Systems of internal control operated effectively.
- The Board has an open and transparent approach and routinely makes committee and group papers available on its website.



### Best Value

- The South Ayrshire Integration Joint Board was one of the first to be established in Scotland and has demonstrated a high level of commitment to the integration agenda.
- The Board exhibits a commitment to Best Value but should consider implementing a more formal Best Value framework based on the statutory guidance.
- The Board has a working performance management framework in place but this needs to be developed further.
- The Board intends to publish a performance report for 2015/16 one year ahead of the statutory requirement.



### Outlook

- The Board will continue to operate in a funding environment which is subject to sustained pressure to deliver more while facing increasing cost pressures and static or decreasing real terms funding.
- One of the challenges for the Board is the short term financial planning cycle of the Scottish Government and the resulting difficulty in preparing long term funding strategies to address its priorities.

# Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of South Ayrshire Integration Joint Board (the Board). Our audit appointment is for one year, covering the 2015/16 financial year, the first accounting period for which the Board is required to prepare financial statements.
2. This report is a summary of our findings arising from the 2015/16 audit of the Board. The report is divided into sections which reflect our public sector audit model.
3. The management of the Board is responsible for:
  - preparing financial statements which give a true and fair view
  - providing management commentary which includes an easily understandable guide to the most significant matters in the accounts and assists with the interpretation of the accounts.
  - implementing appropriate internal control systems.
  - putting in place proper arrangements for the conduct of its affairs.
  - ensuring that the financial position is soundly based.
4. Our responsibility, as the external auditor of the Board, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
5. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility to prepare financial statements which give a true and fair view.
6. [Appendix I](#) lists the audit risks that we set out in the Annual Audit Plan issued in March 2016 and the conclusions from our audit work. [Appendix II](#) lists the reports we issued during the year. A number of national reports were issued by Audit Scotland during the course of the year. Reports relevant to the Board are summarised at [Appendix III](#).
7. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we identified during the course of the audit. Officers considered the issues and agreed to take steps to address them. The Board should ensure that it has a mechanism in place to assess progress and monitor outcomes.
8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

# Audit of the 2015/16 financial statements

<b>Audit opinion</b>	<ul style="list-style-type: none"><li>• We have completed our audit and issued an unqualified independent auditor's report.</li></ul>
<b>Going concern</b>	<ul style="list-style-type: none"><li>• The financial statements were prepared on the going concern basis.</li><li>• There is increased financial risk for the Board which had to set its 2016/17 budget in advance of NHS Ayrshire and Arran approving its budget. However, we do not consider that this or any other events or conditions cast significant doubt on the Board's ability to continue as a going concern.</li></ul>
<b>Other information</b>	<ul style="list-style-type: none"><li>• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We consider whether these reports have been properly prepared, comply with extant guidance and are consistent with the financial statements.</li><li>• We report any material errors or omissions, any material inconsistencies with the financial statements or any otherwise misleading content. We have nothing to report in respect of the other information published as part of the annual report and accounts.</li></ul>

## Submission of financial statements for audit

9. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The annual accounts of the Board are prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

10. We received the unaudited Annual Accounts of the Board on 24 May 2016, in accordance with the agreed timetable. The unaudited Annual Accounts were prepared in accordance with the Scottish Government's Integrated Resources Advisory Group guidance. However, in our view, the basic format could have been enhanced to provide more contextual information and greater utility to users.
11. Management accepted a number of our suggestions for improvements to the unaudited Annual Accounts, however, we

would expect that they will significantly evolve over the next few years to provide a more user friendly guide to the Board's in-year financial activities and results. This will, in our view, assist the Board in achieving its strategic objective (to) "communicate in a clear, open and transparent manner".

#### Action plan 1

## Overview of the scope of the audit of the financial statements

12. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were set out in our Annual Audit Plan presented to the Performance and Audit Committee on 7 March, 2016.
13. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services or any work additional to our planned audit activity. The 2015/16 agreed fee, set out in the Annual Audit Plan, is unchanged.
14. The concept of audit risk is central to our audit approach. We focus on those areas that are most at risk of causing material misstatement in the financial statements. In addition, we consider whether risks are present in respect of our wider responsibility, as public sector auditors, under Audit Scotland's Code of Audit Practice.

15. During the planning phase of our audit we identified a number of risks and reported these in our Annual Audit Plan along with the work we proposed in order to obtain appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified and how we addressed each risk.
16. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

17. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
18. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
19. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of South Ayrshire Integration Joint Board we set our planning materiality for 2015/16 at £1.553 million (or 1% of gross expenditure). We report

all misstatements greater than £15,000. Performance materiality was calculated at £0.927 million, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

20. On receipt of the financial statements we reviewed audit materiality and revised it to reflect expenditure in the unaudited financial statements. Our materiality level was amended to £2.010 million and performance materiality to £1.206 million. Our misstatement reporting threshold was amended to £20,100.
21. Following completion of audit testing we reviewed our materiality levels and concluded that our amended calculations remained appropriate.

## Evaluation of misstatements

22. There were no misstatements which had an impact on the unaudited Annual Accounts.

## Significant findings from the audit

23. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
  - Significant difficulties encountered during the audit.

- Significant matters arising from the audit that were discussed, or subject to correspondence with management.
- Written representations requested by the auditor.
- Other matters which in the auditor's professional judgment are significant to the oversight of the financial reporting process.

24. Table 1 below sets out those issues or other audit judgements that, in our view, require to be communicated to those charged with governance in accordance with ISA 260.
25. The Annual Accounts have been prepared in accordance with regulations and we have issued an unqualified independent auditor's report. The annual accounts show the results of South Ayrshire Integration Joint Board's transactions, but do not reflect the way that some services have been delivered, Ayrshire-wide, by the three Ayrshire integration joint boards acting as lead service providers. The monitoring information provided to Board members reflects the South Ayrshire Integration Joint Board's structure. This limits the ability of users of the accounts to link audited integration joint board cost information to other service performance measures published by the partnership. This will be increasingly the case across Scotland as integration joint boards change the way that services are delivered.



**Table 1: Significant findings from the audit****Significant findings from the audit****Core Financial Statements**

The unaudited Financial Statements included an Income and Expenditure Statement disclosing net expenditure as £nil, a narrative statement opining that no Movement in Reserves Statement (MiRS) was required and a statement opining that, as the Inegration Joint Board had no assets or liabilities at the year end, a Balance Sheet was not required.

Our view is that it is acceptable to omit a MiRS from the 2015/16 accounts, but that a Balance Sheet should be included, albeit with £nil values disclosed for debtors, creditors and reserves. Section 8 of the Local Authority Accounts (Scotland) Regulations 2014 requires the Section 95 Officer to sign and date the Balance Sheet contained within the Annual Accounts. On that basis we requested that a Balance Sheet be inserted to be signed and dated as required.

*Resolution:* The Chief Finance Officer has agreed to include a Balance Sheet.

## Significant findings from the audit

### **Set aside budget costs**

Included within the total Board expenditure of £201.039m are £23.349 million 'set aside' costs for hospital acute services. The budget and actual expenditure reported for the set aside are equal and is an estimate based on the historic use of acute services in the area. The figures allocated across the three Ayrshire integration joint boards is based on 2014/15 data on hospital inpatient and day case activity and provided by NHS National Services Scotland's Information Services Division.

Partners agreed that hospital acute services would be managed by NHS Ayrshire and Arran with no in year financial consequences to the Board. The set aside is excluded from the financial monitoring information used by the Board to monitor performance.

*Resolution:* The income and expenditure account in the annual accounts correctly incorporates the set aside costs. The set aside budget will be reviewed annually as part of the Strategic Plan and should reflect any redesign of services.

### **Disclosure of the Board's 2015/16 resource allocation**

The Board delivered its services spending £201.039 million, which is £0.634 million less than the original resource allocation from partner bodies. This surplus is not reflected in the Income and Expenditure Statement as the surplus was returned to the partner bodies. In our opinion, to aid transparency, this underspend should be more clearly explained in the narrative to the accounts and management commentary.

*Resolution:* The Chief Finance Officer has agreed that the underspend will be explicitly recorded in the Annual Accounts.

## Future accounting and auditing developments

### Audit appointment from 2016/17

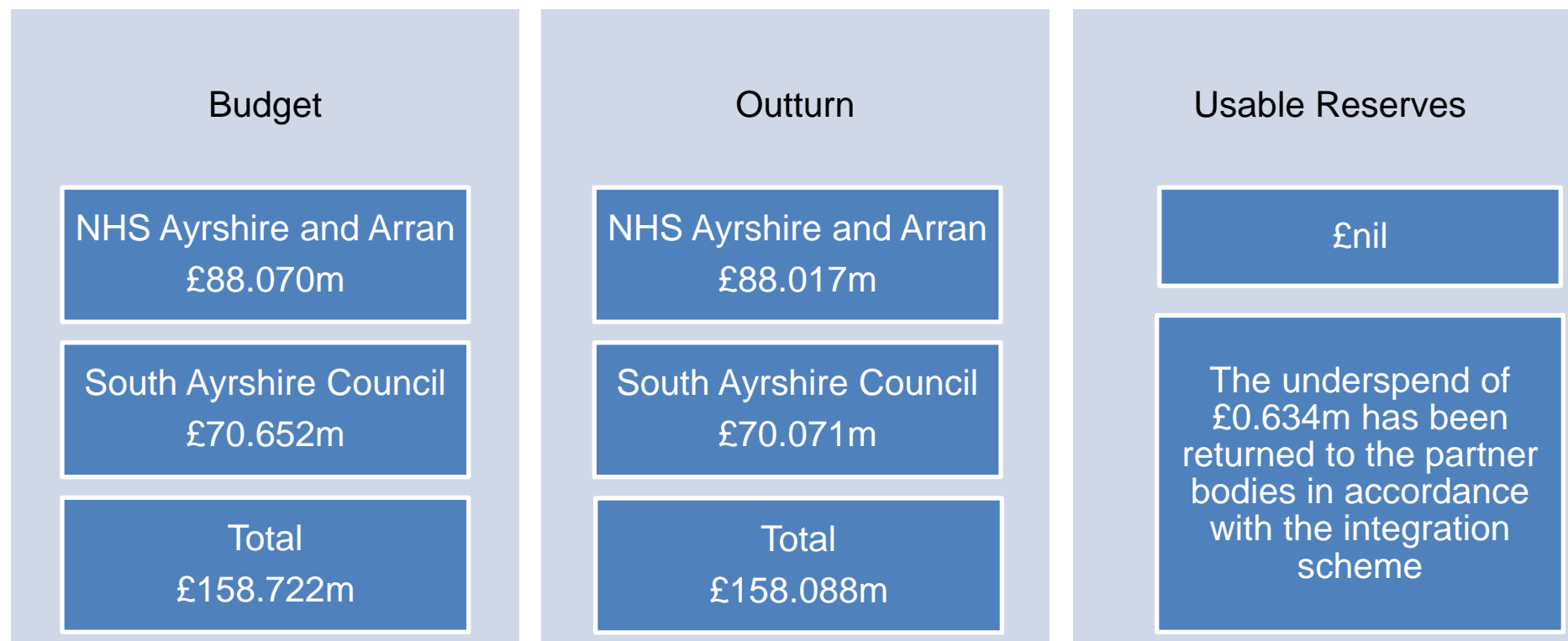
26. The Accounts Commission is responsible for the appointment of external auditors to integration joint boards. External auditors are appointed for a five year term either from Audit Scotland's Audit Services Group or from private firms of accountants. Our appointment as external auditors was restricted to one year to be coterminous with our five year appointment as external auditors of NHS Ayrshire and Arran and South Ayrshire Council.
27. The procurement process for the new round of audit appointments was completed in March 2016. From next year (2016/17) Deloitte LLP will be the appointed auditor for South Ayrshire Integration Joint Board, as well as NHS Ayrshire and Arran and South Ayrshire Council.

### Code of Audit Practice

28. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It sets out the objectives and principles to be followed by auditors.
29. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. Presently only annual audit reports are published on Audit Scotland's website. In future, for all audited bodies, Audit Scotland will publish all annual

audit plans and other significant audit outputs, irrespective of whether the body meets in public or makes documents such as audit committee papers routinely available on its own website.

# Financial management and sustainability



The figures above represent the net cost of partnership services managed by the Board. They exclude costs of £36.821million for services delivered by North and East Ayrshire Integration Joint Boards, but include £17.219 million for services delivered on behalf of North and East Ayrshire. This net resource is, however, reflected in the Board's Income and Expenditure Statement. The above also excludes the acute services set aside costs of £23.349 million. Table 2 provides further detail.

## Financial management and performance

30. In this section we comment on South Ayrshire Integration Joint Board's financial performance and assess the Board's financial management arrangements.
31. The integration scheme between NHS Ayrshire and Arran and South Ayrshire Council sets out contributions from the partners. Delegated baseline budgets for 2015/16 were subject to due diligence and comparison to actual expenditure in previous years.
32. The Board does not have any assets, nor does it directly incur expenditure or employ staff. All funding and expenditure relating to services managed by the Board are incurred by the constituent partners and processed in their accounting systems.
33. The Board is empowered to hold reserves. The integration scheme set out the arrangements between the partners for addressing and financing any overspends or underspends. The integration scheme provides that underspends in an element of the operational budget arising from specific management action will be retained by the Board to either fund additional in year capacity, or be carried forward to fund capacity in subsequent years of the Strategic Plan, subject to the terms of the reserves strategy. Unplanned underspend will be returned to the relevant partner bodies.
34. Where there is a forecast overspend, the partners must agree a recovery plan to balance the overspending budget, and obtain the Board's approval for that plan.

## Financial performance 2015/16

35. The Board set a breakeven budget for 2015/16. This was based on expenditure of £152.941 million to deliver partnership services: with £75.404 million contributed from NHS Ayrshire and Arran; and £77.537 million contributed by South Ayrshire Council. The budget was increased by £5.781 million during the year to £158.722 million.
36. A recovery plan was approved by the Board in October 2015 to address a projected overspend of £0.740 million. The outturn for the year was an underspend of £0.634 million, Table 2:
37. The Board was kept informed during the year of progress against targets and steps being taken to remain within budget. However, as recently as period ten the forecast outturn remained as an overspend of £0.800 million. Management have acknowledged that the variation between what was being projected late in the financial year and the final outcome needs to be improved.
38. The overall outturn against budget is, broadly, satisfactory. However, there are a number of pockets of persistent underspending/overspending against budget lines which require attention. These include care packages for the elderly and disabled and outwith authority placements. Where necessary, budgets should be reviewed to ensure that they are up to date and reflect the underlying cost of the service level required or projected.

**Action plan 2**

**Table 2: Summary of financial performance**

Partnership budget objective summary	Budget (£m)	Actual (£m)	Variance (£m)
Core	106.536	105.488	(1.048)
Non District General Hospitals	5.579	6.017	0.438
Lead Partnership Services	21.584	21.765	0.181
Children's Services	20.620	21.492	0.872
Direct Overheads/Support Services	4.403	3.326	(1.077)
<b>Total Partnership Expenditure</b>	158.722	158.088	(0.634)
Lead Partnership	19.602	19.602	-
Set Aside Budget	23.349	23.349	-
<b>Total expenditure</b>	201.673	201.039	(0.634)
NHS Ayrshire and Arran Funding		130.968	
South Ayrshire Council Funding		70.071	
<b>Total Income</b>		201.039	

Source: Financial management report as at 31 March 2016

### Financial management arrangements

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

- the Chief 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 Board.
- 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.
- Board members provide a good level of challenge and question budget holders on significant variances.

40. The Chief Finance Officer was in post throughout the accounting year, and is responsible for ensuring that appropriate financial services are available to the Board and the Chief Officer.
41. We reviewed the standing financial instructions and standing orders, which were created on the formation of the Board and we consider these to be comprehensive.
42. Financial monitoring of the partnership budget is reported in an agreed format to the Board, the Performance and Audit Committee, and externally to NHS Ayrshire and Arran and South Ayrshire Council. The Board has responsibility for carrying out detailed scrutiny of the financial and operational performance and ensuring that prompt corrective actions are taken where appropriate.
43. As auditors we attend a number of Board meetings and Performance and Audit Committee meetings. Board members

provide a good level of challenge and question budget holders on significant variances and service performance issues.

## Conclusion on financial management

44. Overall we have concluded that the Board has satisfactory financial management arrangements. However, to better support the review and scrutiny of financial performance, the achievement of financial targets areas of significant over or underspending against budgets should be reviewed and revised as necessary.

## Financial sustainability

45. Financial sustainability is concerned with whether the Board has the capacity to meet the current and future needs of the community and other stakeholders. In assessing financial sustainability we are concerned with whether:
- spending is being balanced with income in the short term.
  - longer term financial pressures are understood and planned for.

## Financial planning

46. The Integration Joint Board budget for 2016/17 was not formally set prior to the beginning of the financial year.
47. Although the council budget was set on 3 March, 2016, the NHS Ayrshire and Arran budget was not formally set until 21 June 2016. In anticipation of setting its budget for 2016/17 NHS Ayrshire and Arran agreed, on 23 May 2016, to allocate resources to the Integration Joint Board to allow it to set its 2016/17 budget.

48. The Integration Joint Board set an interim budget on 17 June, based on assumed funding from the NHS Ayrshire and Arran. In summary, the Board obtained £4.001 million in additional resources but identified some £9.900 million in additional required expenditure. The resulting funding gap of £5.899 million is to be part funded by a range of efficiencies totalling £3.713 million and a return of £0.416 million, from the council, of the 2016/17 underspend. At the point of agreeing the budget proposals for 2016/17 the budget had a resource shortfall of £1.789 million. Officers were tasked with identifying further measures to eliminate the shortfall.
49. This meant that for the first quarter of 2016/17 the Board was pursuing its strategic plan activities without a formally agreed budget and continues to operate without a balanced budget for 2016/17. The lack of certainty in the resources available to deliver services is not conducive to the efficient and effective delivery of care or the development and implementation of the Board's strategic plan objectives.

## Conclusion on financial sustainability

50. The sustainability of the Board's financial position is dependent on the identification of recurring savings. The Board's Change Programme taking forward service redesign projects will be a key driver of future sustainability.
51. Unless NHS Ayrshire and Arran is in a position to fix the health care element of the Board's budget prior to the start of the financial year

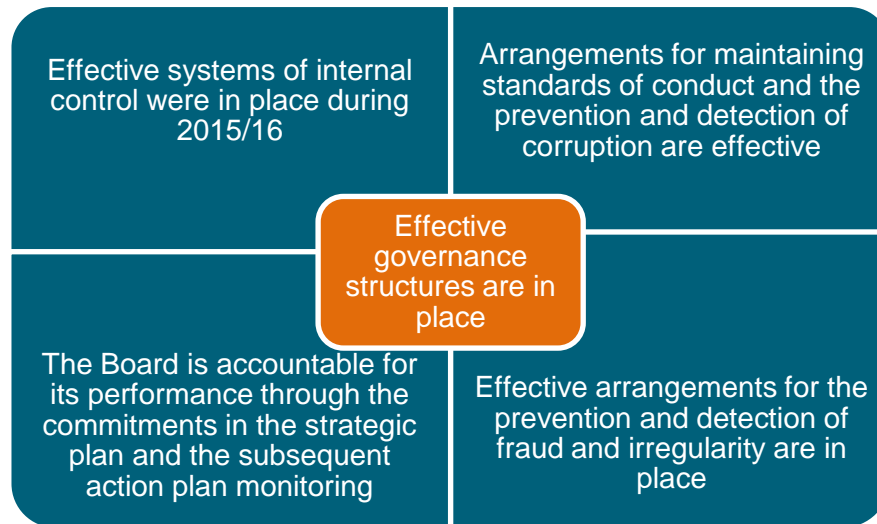
this will generate a level of uncertainty which could impact on the delivery of integrated services.

## Outlook

52. NHS boards and councils face continuing financial constraints. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets.
53. Strategic plans, whilst setting out the broad direction, will need to be clear regarding the Board's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.
54. A key component of sound financial management is the preparation of longer term financial strategies, plans and budgets. One of the challenges for Board is the short term financial planning cycle of the Scottish Government and the resulting difficulty in preparing long term funding strategies to address its priorities.
55. The Board has not yet set a balanced budget for 2016/17. Achievement of budget is reliant on efficiency savings to bridge the gap between available funding from current sources and the cost of services.



# Governance and transparency



- 56. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with board members drawn from a wide range of backgrounds.
- 57. The integration scheme between South Ayrshire Council and NHS Ayrshire and Arran sets out the key governance arrangements.
- 58. The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of South Ayrshire Integration Joint Board and for monitoring the adequacy of these arrangements.
- 59. The Board comprises a wide range of service users and partners including four elected councillors nominated by South Ayrshire Council and four directors nominated by NHS Ayrshire and Arran.
- 60. The Board is responsible for the management and delivery of health and social care services in South Ayrshire, and is supported by a number of groups as illustrated at Exhibit 1.
- 61. The Integration Joint Board has appointed a Chief Officer who provides overall strategic and operational advice to the Board and is accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of South Ayrshire Council and the Chief Executive of NHS Ayrshire and Arran and provides regular reports to both the council and the NHS board.
- 62. The Board and each of the groups met on a regular basis throughout the year. We review Board minutes and Performance and Audit Committee minutes to assess their effectiveness. We also periodically attend meetings of the Performance and Audit Committee. Additionally, we attend selected Board meetings as observers.
- 63. Standing Orders for the Integration Joint Board were approved when it was established in April 2015 and it was agreed that these would be reviewed after the first year of operation to ensure they remain appropriate. Schemes of Delegation are in place which clarify the functions delegated by South Ayrshire Council and NHS Ayrshire and Arran and which delegate operational management of services to the Chief Officer and other officials.

**Exhibit 1: Health and Social Care delivery South Ayrshire**



Source: *Integration Joint Board papers*

**Risk management**

64. The Strategic Plan for the partnership for the period 2015-18 contained an outline Strategic Risk Register. The current partnership Strategic Risk Register contains risks drawn from the partnership's Strategic Plan and, where appropriate, from the risk registers of South Ayrshire Council and NHS Ayrshire and Arran. Update reports are provided to the Integration Joint Board and to the Performance and Audit Committee twice a year. The latest version for the six month period to 9 June 2016 was considered by the Board and Performance and Audit Committee on 17 June.

65. We concluded that, overall, the Board has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

**Internal control**

66. South Ayrshire Council and NHS Ayrshire and Arran are the partner bodies. All financial transactions of the Board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny as the council and health board, including the work performed by internal audit.

67. We sought and obtained assurances from the external auditors of the council and health board regarding the systems of internal control used to produce the transactions and balances recorded in the Board's financial statements.

68. There are clear data sharing and security arrangements in place, including a data controller who is responsible for ensuring that relevant staff are able to access appropriate information whenever it is necessary for service provision. This covers access to information such as medical records.

69. Our overall conclusion was that the key controls within the main financial systems of both the council and health board were operating satisfactorily and no significant risks were identified.

## Internal audit

70. Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. Each partner organisation has its own internal audit service. During 2015/16 the Integration Joint Board appointed the Chief Internal Auditor of South Ayrshire Council as its Chief Internal Auditor.
71. The Board's Chief Internal Auditor uses the results of the audit work carried out at South Ayrshire Council and NHS Ayrshire and Arran to form an opinion on the Board's systems of governance, risk and internal control. For 2015/16 the Board's Chief Internal Auditor concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Board's systems of governance, risk and internal control.
72. Our review, of the internal audit services provided at the partner organisations, concluded that the internal audit services operate largely in accordance with the Public Sector Internal Audit Standards and have sound documentation standards and reporting procedures in place.

## Arrangements for the prevention and detection of fraud and other irregularities

73. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the Board does not directly employ staff, it has been agreed that investigations will be carried out by the

internal audit service of the partner body where any fraud or irregularity originates. NHS Ayrshire and Arran can also call on the expertise of Counter Fraud Services provided through NHS National Services Scotland.

74. We concluded that the Board had effective arrangements in place for fraud prevention and detection during 2015/16.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

75. Based on our review of the evidence, we concluded that the Board has satisfactory arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

## Transparency

76. The public should be able to hold the Board to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.
77. The Board has demonstrated a commitment to involving stakeholder 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 Plan.

78. Full details of the meetings held by the Board are available through the South Ayrshire Council website, where access is given to all committee papers and minutes of meetings. We have not found any evidence to suggest that information is unjustifiably withheld from public scrutiny.
79. Members of the public can attend meetings of the Board. A significant amount of the Board's business is transacted through the Performance and Audit Committee, or through the other groups listed at exhibit 1. Commendably, the Board have made minutes and related papers for the Board, the Performance and Audit Committee and the Strategic Planning Advisory Group available on the council or health board websites.
80. As part of the commitment to integration and to emphasise the Board's leadership of health and social care in South Ayrshire the Board should consider whether a dedicated website would provide interested citizens and groups more direct access to information.
- meeting exacting performance targets, and delivering the Scottish Government's 2020 Vision.
83. The structure of integrated joint boards brings the potential for real or perceived conflicts of interest for board members and senior managers. Partners need to be clear regarding how governance arrangements will work in practice, particularly when disagreements arise. This is because there are potentially confusing lines of accountability, which could hamper the Board's ability to make decisions about the changes involved in redesigning services. People may also be unclear who is ultimately responsible for the quality of care provision.
84. Embedding robust governance arrangements will be an essential element in meeting these challenges and maintaining accountability. All stakeholders including patients, clinicians, carers, the public, staff, partner bodies and the Scottish Government, benefit from the assurance and confidence a good governance regime brings.

### Action plan 3

81. Overall we concluded that the Board is open and transparent although we believe that there are some areas where the Board could make improvements to the current arrangements, including the format and presentation of its Annual Accounts.

## Outlook

82. South Ayrshire Integration Joint Board faces continuing challenges on a number of fronts including mounting financial challenges,

# Best Value



## Arrangements for securing Best Value

85. Local government bodies have a statutory duty to provide Best Value in the services they deliver. For NHS bodies accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
86. 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.
87. The Scottish Government guidance groups Best Value into five key themes and two overarching themes. The five key themes are:
- Vision and leadership
  - Effective partnerships
  - Governance and accountability
  - Use of resources
  - Performance management
- There are also two cross cutting themes which public sector bodies are expected to mainstream across all activities:
- Equality
  - Sustainability
88. The Board should undertake a regular review of its performance against the Scottish Government's Best Value framework.
89. The Board is cooperating with the two other Ayrshire Integration Boards in:
- Sharing lead responsibilities for specific services.
  - Developing through a joint working group a Workforce Development Plan.
  - Using a jointly developed Organisational Development Strategy.
90. A Change Programme has been established within the Partnership to coordinate a range of key service redesign projects. A Programme Board has been established, meeting monthly and

comprising members of the senior management team. Key strategic operational and supporting functions are reporting progress to the Programme Board. These are;

- Adult services
- Children's services
- Underpinning work
- Supporting services

91. Heads of Service and management teams are leading the development of strategic, operational and team plans intended to contribute to the whole range of service improvement activity.
92. The reform of health and social care aims to ensure that services are well integrated and that people receive the care they need at the right time and in the right setting, with a focus on community-based and preventative care. Through the integration of health and social care services the Board has the power to fundamentally change the way health and social care services are delivered. Key to its success and sustainability will be how it promotes service redesign to improve efficiency and effectiveness in service delivery to citizens. While we acknowledge that the Board is participating in activities which demonstrate a commitment to Best Value, we concluded that the Board needs to continue to develop a robust framework for reviewing, assessing and securing Best Value and continuous improvement.

#### Action plan 4

## Performance management

93. To ensure that performance is open and accountable the enabling legislation obliges the Board to publish an annual performance report setting out an assessment of performance in planning and carrying out the integration functions for which they are responsible. Whilst the publication of the performance report is not a statutory requirement until 2016/17, the Board intends to produce one for 2015/16.
94. The Strategic Plan identifies six "areas of focus" which will drive plan activity. These are:
- Reduce the number of avoidable emergency admissions to hospital.
  - Minimise the time that people are delayed in hospital.
  - Reduce the adverse events for children and young people, and provide the best start in life for them.
  - Institute a new ways of working programme of change across the functions delegated to the Partnership.
  - Integrate services and staff supported by the development of integrated strategy, systems and procedures.
  - Efficiently and effectively manage all resources to deliver Best Value.
95. Performance indicators in each main area of activity are reported, six monthly, to the Performance and Audit Committee.

#### Action plan 5

96. Reporting to date has been restricted to the two main partnership areas of Adults and Older People, and Children's Health Care and Criminal Justice. Reports show in detail, for each indicator, the latest red/amber/green status, trends and remedial actions being taken. However, the range of performance data being reported does not yet cover all of the functions delegated to the partnership. Some significant areas, such as District Nursing, Learning Disabilities, Mental Health, Allied Health Professionals and Corporate Performance require further development.

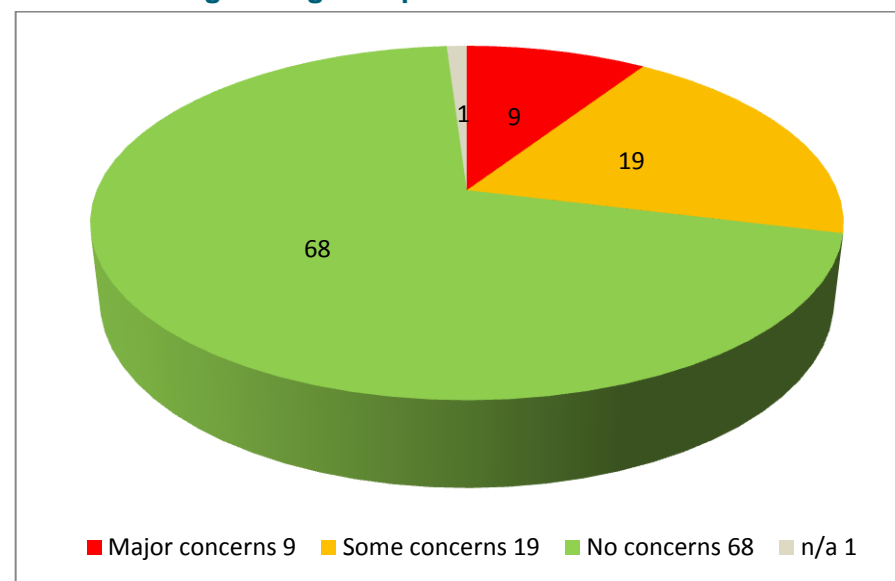
#### Action Plan 6

### Overview of performance targets in 2015/16

97. Performance indicators for the first year of the Board's operation were reported to the Performance and Audit Committee in June 2016. The indicators are closely aligned between the Health and Social Care Partnership, the outcomes set out in the Community Plan, and National Outcomes of the Single Outcome Agreement.
98. Of the 97 indicators reported, 68 were categorised as green, 19 amber, 9 red and 1 as 'n/a' (target not appropriate)', exhibit 2.
99. The reported performance indicators show positive movement in a number of areas, including:
- Adults who agree they had a say in how their support is provided.
  - Adults who rate their care as excellent or good.

- Adults supported at home who agree that services have improved or maintained their quality of life.
- Adults who agree they feel safe.
- Adults in receipt of basic Telecare (community alarm).

**Exhibit 2: Progress against performance indicators 2015/16**



Source: Report to Performance and Audit Committee by Chief Officer June 2016

100. There are also though, more challenging areas for the partnership including alcohol and drug misuse. Nine performance indicators (eight in adult services and one in children's services) were flagged as being areas of "major concerns", these included:
- Emergency hospital admission rates per 100,000 population.

- Delayed discharges of more than 2 weeks.
- Self directed support uptake.

## Care Inspectorate – Inspection of services for children and young people

101. The Care Inspectorate conducted an inspection of services for children and young people provided in South Ayrshire during 2016. The report will be published in September 2016. The Board should ensure that an action plan is prepared in conjunction with the council to address the issues raised.

## National performance audit reports

102. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the Board. These are outlined in [Appendix III](#) to this report.

103. South Ayrshire Integration Joint Board has processes in place to ensure that all national performance reports are considered by the Board.

## Outlook

104. Pressures on health and social care services are likely to continue to increase for the foreseeable future. These increasing pressures have significant implications on the cost of providing health and

social care services and challenges in ensuring that people receive appropriate level of service.

105. The Board is responsible for co-ordinating health and social care services and commissioning NHS Ayrshire and Arran and South Ayrshire Council to deliver services in line with the strategic plan. Over time, the intention is that this will lead to a change in how services are provided, with a greater emphasis on preventative services and allowing people to receive care and support in their home or local community.

106. The Board will need to continue to demonstrate and report whether this is making a positive impact on service users and improving outcomes. To help achieve this it is important that the Board has strategies covering the workforce, risk management, engagement with service users, and data sharing arrangements which help to enable delivery of the Board's strategic priorities.



# Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of our audit planning and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement in the financial statements</b>		
<p><b>Financial statements</b></p> <p>NHS Ayrshire and Arran will require to have the financial statements of the IJB available to it in sufficient time to allow incorporation into its group financial statements.</p> <p><i>Risk: The IJB is unable to provide the necessary information within the timescales required by NHS Ayrshire and Arran to meet its statutory sign-off deadline of 30 June 2016.</i></p>	<ul style="list-style-type: none"> <li>Engaged with officers prior to the accounts being prepared to help ensure the relevant information is disclosed and timetable met.</li> <li>Confirmed that the governance statement is in accordance with Code requirements.</li> <li>Reviewed technical guidance from IRAG and LASAAC.</li> <li>Ensured that accounting policies are appropriate and complete.</li> <li>Obtained assurances from the auditors of South Ayrshire Council and NHS Ayrshire and Arran over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</li> </ul>	<ul style="list-style-type: none"> <li>The Board's annual accounts met the timescales necessary to meet NHS reporting requirements.</li> <li>Annual Accounts met the minimum requirements for sign off.</li> </ul>

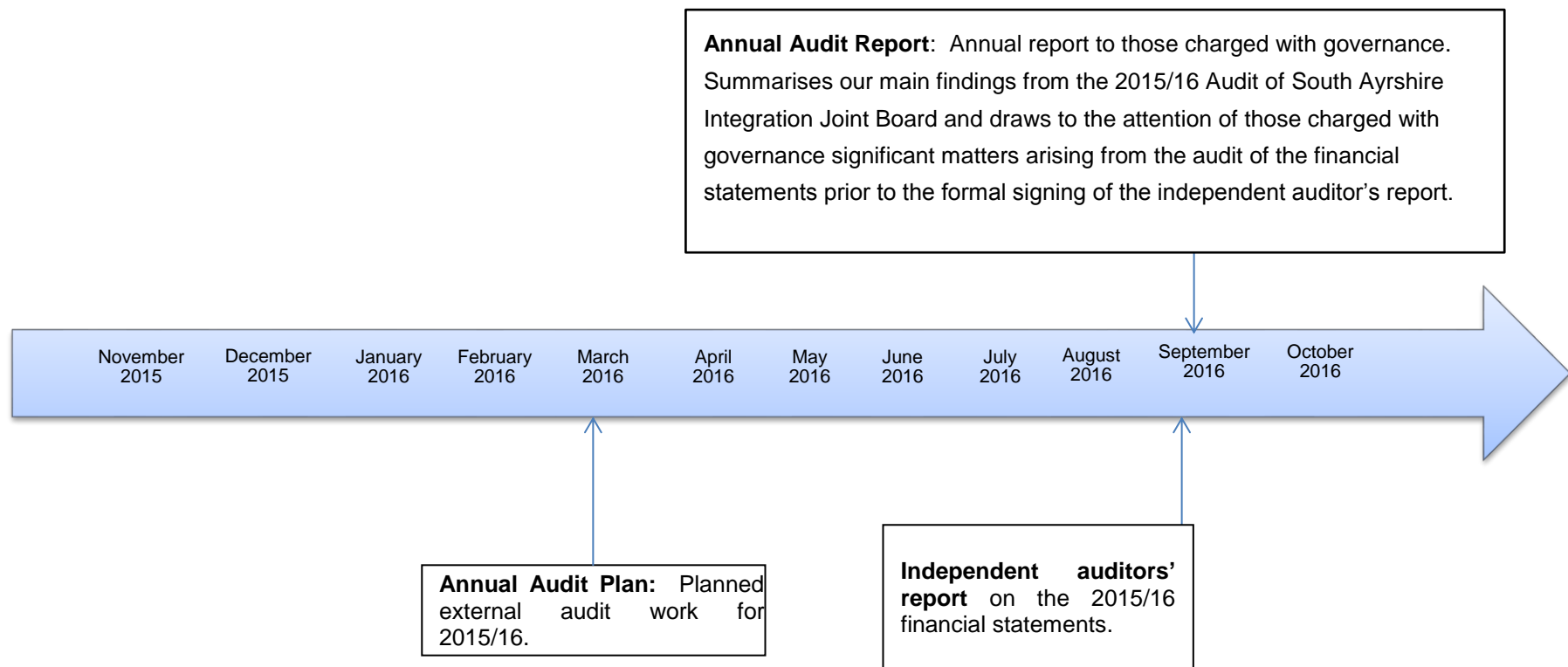
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Management override</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, including the potential for management override of controls.</p> <p><i>Risk: Management manipulation of the position disclosed in the financial statements, by overriding controls that otherwise appear to be operating effectively.</i></p>	<ul style="list-style-type: none"> <li>• Confirmed that the auditors of the council and health board carried out testing of year end journal entries to confirm transactions are of the nature and type expected.</li> <li>• Confirm that the auditors of the council and health board have carried out focussed testing of the regularity and cut-off assertions.</li> <li>• Reviewed accounting estimates for bias if applicable.</li> </ul>	<ul style="list-style-type: none"> <li>• Satisfactory written assurances were received from the external auditors of the council and health board regarding accuracy, allocation and cut-off of IJB transactions.</li> <li>• The estimate for set aside was reviewed and found to be satisfactory.</li> </ul>
<p><b>Governance statement and management assurances</b></p> <p>Preparation of the IJB financial statements relies on the provision of financial and non-financial information from the systems of the two partner bodies. The Chief Finance Officer of the IJB must obtain assurance; that the costs transferred to the accounts of the IJB are complete and accurate and were incurred on behalf of the IJB for services prescribed in the integration scheme.</p> <p><i>Risk: The Chief Finance officer does not have adequate assurance that information received from each party is accurate and complete.</i></p>	<ul style="list-style-type: none"> <li>• Ensured governance statement adequately reflects the position of IJB.</li> <li>• Confirmed appropriate action taken on issues raised in Internal Audit reports.</li> <li>• Confirmed that financial reporting throughout the year is accurately reflected in the year end position.</li> <li>• Carried out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</li> <li>• Obtained audit assurances from the external auditors of the council and health board.</li> </ul>	<ul style="list-style-type: none"> <li>• Governance statement fulfilled minimum requirements</li> <li>• Procedures in place at all three bodies to monitor action on internal audit points.</li> <li>• Significant difference between period ten reporting and final outturn.</li> <li>• Written assurances from both partners provided information on the type, volume and coverage of audit testing completed at each client. This gave satisfactory assurance over the completeness, accuracy and allocation of financial information to be consolidated into the annual accounts.</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>Reserves policy</b></p> <p>A reserves policy is necessary to enable the IJB to plan and formally report its approach to stakeholders, properly manage its resources and maintain and use reserves in an orderly and planned manner. The IJB does not yet have a formal reserves policy in place. A reserves policy is currently being developed.</p> <p><i>Risk: The IJB may not, in the absence of a reserves policy, be able to justify to stakeholders holding reserves.</i></p>	<ul style="list-style-type: none"> <li>Reviewed the approved reserves policy adequately sets out the IJB's approach to the level and purpose of reserves.</li> </ul>	<ul style="list-style-type: none"> <li>The Reserves Strategy, approved in March 2016, fully set out the circumstances in which reserves can be created, and the governance arrangements around their use.</li> </ul>
<p><b>Financial sustainability</b></p> <p>The IJB faces a projected overspend of £0.900 million (0.6% of budget) for the current financial year. Expectations of further savings accruing from a previously agreed budget recovery plan reduce this projected overspend to £0.730 million. The causes of the projected overspend are, in the main, a continuation of pressures previously experienced by both the council and health board.</p>	<ul style="list-style-type: none"> <li>Confirmed ongoing budget monitoring accurately reflects the position of the IJB.</li> <li>Saw evidence of remedial action being taken on areas of overspend.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing financial monitoring was consistently reported to the Board. Budget movements and variances from previous periods were explained, as were forecast year end positions.</li> <li>There was a significant difference between period ten reporting and final outturn.</li> <li>Both South Ayrshire Council and NHS Ayrshire and Arran separately reported their own budget position to appropriate</li> </ul>

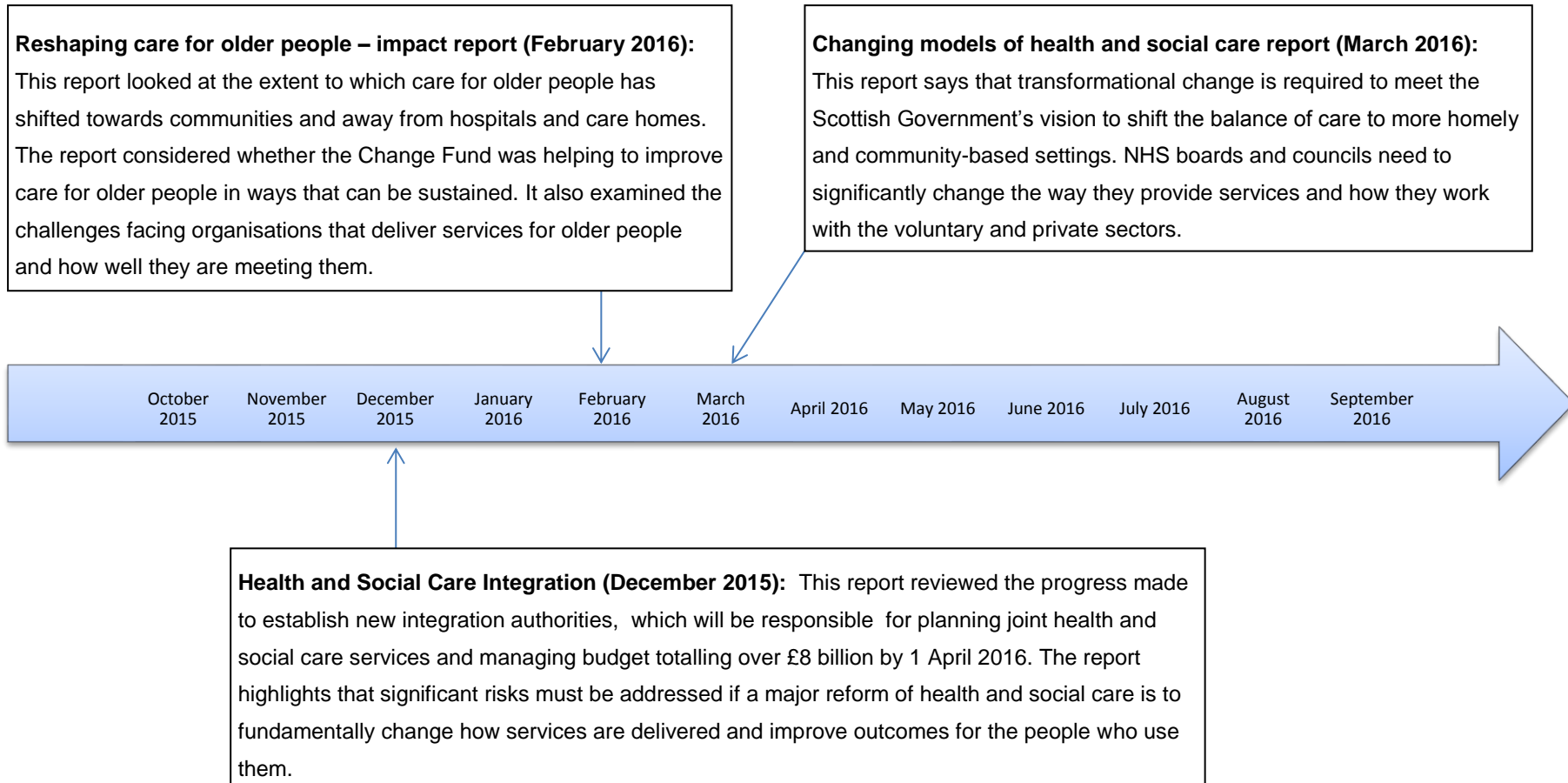
Audit Risk	Assurance procedure	Results and conclusions
<p><i>Risk: The recurring nature of the overspends and the funding constraints under which partners are operating call into question the IJB's ability to deliver the services at current levels in future years.</i></p>		<p>committees in an accurate and appropriate manner.</p> <ul style="list-style-type: none"> <li>From review of budget monitoring reports to the Board, year end variances, service pressures and potential areas of overspend were discussed at an early stage. It was clear that options for remedial actions were discussed and implemented where necessary.</li> </ul>
<p><b>Risk management</b></p> <p>The purpose of risk management is to establish programs and processes that support the board's objectives while protecting assets, employees, property, income and reputation from loss or harm. A risk management strategy and IJB specific risk register should be an integral part of the board's governance framework, however, they are not yet in place.</p> <p><i>Risk: Without a formal process of risk recognition and management action to assess and mitigate risk there is a danger that the board could suffer loss or harm on the crystallisation of specific risks.</i></p>	<ul style="list-style-type: none"> <li>Considered whether risk management strategy adequately covers the risks faced by the IJB and the proposed management action for mitigating these risks. Any risks which specifically impact on our audit approach will be documented and additional work completed as appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>A pan-Ayrshire Risk Management Strategy is still being developed. Current arrangements have been adequate to date in terms of presenting to the Board and Performance and Risk Committee the risks facing the Partnership, and the measures currently in place to mitigate their impact.</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Annual performance report</b></p> <p>The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end.</p> <p><i>Risk: The IJB may not be able to comply with this requirement and deadline, given that this is the first year of operation and external guidance regarding how this should be presented is not yet available.</i></p>	<ul style="list-style-type: none"> <li>Reviewed the quality of ongoing performance reporting to the IJB and PAC.</li> <li>Considered progress towards issuing the annual performance report and whether this covers the information required by the, still to be issued, guidance.</li> </ul>	<ul style="list-style-type: none"> <li>The Board has chosen to issue a Performance Report for 2015/16 one year ahead of the statutory requirement.</li> <li>The format for regular performance reporting to the Performance and Audit Committee needs to be developed further.</li> </ul>

# Appendix II: Summary of South Ayrshire Integration Joint Board local audit reports 2015/16



# Appendix III: Summary of Audit Scotland national reports 2015/16



## Appendix IV: Action plan

No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	11	<p><b>Issue:</b> The unaudited Annual Accounts were prepared in accordance with the Scottish Government's Integrated Resources Advisory Group guidance. However, in our view, the basic format could have been enhanced to provide more contextual information and greater utility to users.</p> <p><b>Recommendation:</b> The format and presentation of the Annual Accounts should be revised to ensure that they provide an understandable guide to the Boards financial results and performance for the year.</p>	Consideration will be given to enhancing the information provided in the 2016/17 Annual Accounts.	Chief Finance Officer, February 2017
2.	38	<p><b>Issue:</b> There are a number of pockets of persistent underspending/overspending against budget lines which require attention.</p> <p><b>Recommendation:</b> Where necessary, budgets should be reviewed to ensure that they are up to date and reflect the underlying cost of the service level required or projected.</p>	The budgets for 2016/17 for Social Care have been reviewed to reflect the service demands.	Acting Principal Accountant, July 2016



No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
3.	80	<p><b>Issue:</b> The Board does not have its own website. Information is however, available on the council or health board websites.</p> <p><b>Recommendation:</b> As part of the commitment to integration and to emphasise the Board's leadership of health and social care in South Ayrshire the Board should consider whether a dedicated website would provide interested citizens and groups more direct access to information.</p>	<p>The principle of developing a dedicated website for the Board has been discussed. A proposal detailing what will be involved in doing this and the cost involved will be submitted to the Board for consideration along with a request for the necessary resources. This will be done by 31st March, 2017.</p>	<p>Administration and Directorate Support Co-ordinator, March 2017</p>
4.	92	<p><b>Issue:</b> The Board does not yet have a Best Value framework in place.</p> <p><b>Recommendation:</b> The Board needs to continue to develop a robust framework arrangement for reviewing, assessing and securing Best Value and continuous improvement.</p>	<p>The Board will develop a strategy and robust framework arrangement for reviewing, assessing and securing Best Value and continuous improvement. This will include a plan of activity for each year which will be submitted to the Board for approval and against which progress will be reported to the Board during the year. An initial strategy and plan will be developed and submitted to the Board by 31st December, 2016.</p>	<p>Senior Manager – Planning and Performance, December 2016</p>

No.	Para ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
5.	95	<p><b>Issue:</b> Performance indicators in each main area of activity are reported, six monthly, to the Performance and Audit Committee.</p> <p><b>Recommendation:</b> The Performance and Audit Committee should consider whether some or all of the performance indicators are amenable to more frequent reporting.</p>	<p>Information will be reported to the Performance and Audit Committee on a quarterly basis commencing from 30th September as agreed with the Chief Internal Auditor as part of the 2015-16 Governance Audit.</p>	<p>Senior Manager – Planning &amp; Performance, September 2016</p>
6.	96	<p><b>Issue:</b> The range of performance data being reported does not yet cover all of the functions delegated to the partnership.</p> <p><b>Recommendation:</b> Relevant performance indicators for the remaining functions should be developed.</p>	<p>The Partnership has recognised the need to further develop its strategic and operational performance frameworks and will continue to make additions and refine the information particularly as service review processes are completed. In 2016-17 this will specifically relate to Learning Disability and Mental Health Services.</p>	<p>Senior Manager – Planning &amp; Performance, March 2017</p>