



**ANGUS HEALTH AND SOCIAL CARE  
INTEGRATION JOINT BOARD AUDIT COMMITTEE**

**TO BE HELD IN THE COMMITTEE ROOM, TOWN AND COUNTY HALL, FORFAR  
ON WEDNESDAY 19 APRIL 2017 AT 12.30PM**

**AGENDA**

**1. APOLOGIES**

**2. DECLARATIONS OF INTEREST**

Members are reminded that, in terms of the Code of Conduct of Members of Devolved Public Bodies, it is their responsibility to make decisions whether to declare an interest in any item on this agenda and whether to take part in consideration of that matter.

**PAGE NO**

**3. MINUTE OF PREVIOUS MEETING**

Submit, for approval, as a correct record, the minute of meeting of this Committee of 14 December 2016.

(1 - 4)

**4. INTERNAL AUDIT CHARTER**

Submit Report No IJB 20/17 by the Chief Finance Officer.

(5 - 12)

**5. AUDIT ARRANGEMENTS – EXTERNAL AUDIT ANNUAL AUDIT PLAN**

Submit Report No IJB 21/17 by the Chief Finance Officer.

(13 - 28)

**6. RESERVES POLICY**

Submit Report No IJB 22/17 by the Chief Finance Officer.

(29 - 36)

**7. GOVERNANCE UPDATE**

Submit Report No IJB 23/17 by the Chief Finance Officer.

(37 - 44)

**8. 2016/17 INTERNAL AUDIT PLAN – PROGRESS REPORT**

Submit Report No IJB 24/17 by the Chief Finance Officer.

(45 - 48)



## **AGENDA ITEM NO 3**

MINUTE of MEETING of the **ANGUS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** held in the Committee Room, Town and County Hall, Forfar, on Wednesday 14 December 2016 at 4.40pm.

**Present:           Members of Audit Committee**

DAVID BARROWMAN, Service User  
JIM FOULIS, Associate Nurse Director  
Councillor JIM HOUSTON, Angus Council  
NEIL PRENTICE, Third Sector Representative  
ALISON ROGERS, Non Executive Board Member

**Advisory Officers**

SANDY BERRY, Chief Finance Officer  
DAVID THOMPSON, Principal Solicitor – Resources, Angus Council

**Also in Attendance**

RACHEL BROWNE, Senior Audit Manager, Audit Scotland  
MARY O'CONNOR, Senior Auditor, Audit Scotland  
JUDITH TRIEBS, Principal Auditor, NHS Fife

**1.       CHAIR OF MEETING**

Following the re-selection of the holder of the office of Chair and Vice Chair of the Integration Joint Board as a result of the changes in accordance with the Integration Scheme, Councillor Jim Houston was appointed Chair of the Audit Committee.

**2.       INTRODUCTIONS**

Introductions took place. The Chair, on behalf of the Committee thanked Neil Prentice, Third Sector Representative for his valued contribution to the Committee.

**3.       APOLOGIES**

The Committee noted there were no apologies intimated.

**4.       DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**5.       MINUTE OF PREVIOUS MEETING**

The minute of the previous meeting of 31 August 2016 was submitted and approved as a correct record.

**6.       2016/17 INTERNAL AUDIT PLAN – PROGRESS REPORT**

There was submitted Report No IJB 96/16 by the Chief Finance Officer presenting a report setting out progress towards delivery of the 2016/17 Internal Audit Plan.

The Report indicated that the Angus Integration Joint Board's Internal Auditor's progress report on the 2016/17 Internal Audit Plan was attached as Appendix 1 to the Report.

Work on the completion of the plan was continuing and progress was as expected. Internal Audit staff from Angus Council and NHS Tayside had met and, together with the Chief Finance Officer, had discussed and agreed shared working arrangements. These would require to be formalised through agreement between the Chief Executives of the Parties and the Chief Officer.

An equivalent Report would be produced routinely for future Audit Committee meetings describing progress with Internal Audit Plans.

The Chief Finance Officer asked Internal Audit to complete assignment plans for Financial Management (AN07-17) before Christmas due to the pressing need for this piece of work to be taken forward.

The Audit Committee agreed to note the Internal Audit Progress Report as outlined in Appendix 1 to the Report.

## **7. GOVERNANCE UPDATE**

With reference to Article 5 of the minute of the previous meeting, there was submitted Report No IJB 97/16 by the Chief Finance Officer providing an update on a series of governance issues within the Integration Joint Board and made a series of general and specific recommendations.

The Report provided an overview of the current status of governance arrangements within the Integration Joint Board. Appendix 1 to the Report outlined the updated position regarding the External Audit recommendations.

The Angus Integration Joint Board's Auditors produced an Annual Internal Audit Report in June 2016 as part of the Annual Accounts process. Subsequently, a checklist for monitoring progress against various issues was provided. The update on the Angus Integration Joint Board position regarding the checklist was outlined in Appendix 2 to the Report.

Audit Scotland produced a report in December 2015 titled "Health and Social Care Integration" and included with the report was a checklist for Integration Joint Board's regarding governance related issues. Attached as Appendix 3 to the Report was Angus Integration Joint Board's completed self-assessment.

The Chief Finance Officer provided an overview and update.

Following discussion and having heard from Judith Triebs and Rachel Browne, the Audit Committee agreed:-

- (i) to note the option to participate in further governance development sessions with other Integration Joint Board's and confirmed their interest in this;
- (ii) to grant flexibility to the Audit Committee Chairperson and Chief Finance Officer to explore available options to bring in additional advisory representation to the Audit Committee;
- (iii) to note the planned re-scheduling of the review of the Integration Joint Board's Financial regulations;
- (iv) to note the planned approach to the review of the role of the Integration Joint Board's Chief Finance Officer in the context of CIPFA's Statement on the role of the Chief Finance Officer in Local Government;
- (v) to approve the response to the External Audit Annual Report as set out in Section 4 of the Report and agreed to share the position with the Integration Joint Board's External Auditors;
- (vi) to approve the Follow Up Actions from the Annual Internal Audit report and agreed to the recommendations as detailed in Section 5 of the Report;

- (vii) to approve the response to the Audit Scotland self assessments and agreed to the recommendations as detailed in Section 6 of the Report; and
- (viii) to a further review of governance arrangements being undertaken in mid 2017.

**8. DATE OF NEXT MEETING**

To be confirmed.





**ANGUS HEALTH AND SOCIAL CARE**  
**INTEGRATION JOINT BOARD AUDIT COMMITTEE – 19 APRIL 2017**  
**INTERNAL AUDIT CHARTER**  
**REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER**

**1. PURPOSE OF REPORT**

The aim of this paper is to brief the Audit Committee on the proposed Internal Audit Charter for Angus IJB.

**2. RECOMMENDATIONS**

It is recommended that the Integration Joint Board Audit Committee approve the proposed Internal Audit Charter.

**3.0 BACKGROUND**

3.1 An Internal Audit Charter has been drafted in line with the requirements of the Public Sector Internal Audit Standards applicable to both Health and Local Authority Internal Audit services. This Charter will, once approved by the Audit Committee, take effect from that date until such times as it is revoked or replaced.

3.2 The Charter sets out the purpose of the internal audit function as defined within the Public Sector Internal Audit Standards. It establishes the scope of the Internal Audit function and lays out the requirements of the Chief Internal Auditor.

The role of the Chief Internal Auditor and the authority of that position is set out clearly alongside the controls in place to provide assurance of independence, ethics, confidentiality and objectivity.

**4.0 CONCLUSIONS**

4.1 The Audit Committee is requested to approve the Internal Audit Charter with effect from the date of this meeting.

**REPORT AUTHOR: ALEXANDER BERRY**  
**EMAIL DETAILS: hsci Angus.tayside@nhs.net**

List of Appendices:  
Appendix 1: Angus Integration Joint Board Internal Audit Charter





### Angus IJB Internal Audit Charter

#### Introduction

This charter sets out the responsibility and authority for, and approach to, Angus IJB's internal audit activity. This supplements the IJB's Financial Regulations.

This Audit Charter will take effect from the date it is approved by the Audit Committee until such a time that it is replaced or revoked. The Charter will be updated concurrently with any amendments to relevant sections of the Financial Regulations and subject to a full review at least biennially.

#### Mission and Values

The Internal Audit vision is *'Working Together to Provide Assurance and Add Value'*.

We work with our clients to provide an excellent service by understanding their values, their objectives and risks and the environment in which they operate. We value and listen to our staff and ensure that they have the skills and knowledge they require to help us to succeed, continuously assessing and improving the service we provide.

We will provide the best possible service to our clients and identify and focus on their needs. We will embrace innovation and learn from our clients and our competitors. Our work will add value, identifying issues and providing creative solutions whilst ensuring that we provide assurance and a meaningful assessment of the systems of internal control.

#### Internal Audit Standards

Overall responsibility for the internal audit rests with the Accountable Officer. As agreed by the IJB in March 2016, Fife, Tayside and Forth Valley Audit and Management Services (FTF) undertakes the role of Chief Internal Auditor to the IJB and oversees the delivery of the Internal Audit Service by the Angus Council and NHS Tayside internal audit teams.

The respective Chief Internal Auditors of Angus Council and NHS Tayside must ensure that internal audit activity is delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) and the internal auditors' Code of Ethics (See Annex 1).

#### Purpose

The purpose of the internal audit function is defined within PSIAS:

*'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*

The purpose of Internal Audit internal audit activity is to provide the Chief Officer, as Accountable Officer, in an economical and timely manner, with an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Chief Internal Auditor's opinions are a key part of the framework of assurance that the

Accountable Officer needs to inform the completion of the Annual Governance Statement.

## **Scope**

As stated in the IJB's Financial Regulations, internal audit reviews the adequacy of the arrangements for risk management, governance and control of the allocated resources.

Internal Audit scope must be sufficient to provide the Accountable Officer with the opinion on the adequacy and effectiveness of internal control required to support the IJB's Governance Statement.

The IJB's Chief Internal Auditor will prepare and submit a strategic risk based audit plan to the Audit Committee for approval. It is recommended this is shared for information with the relevant committee of the NHS and the Council. The annual plan will set out the expected qualified staffing skill-mix to ensure staff are suitably trained with appropriate skills.

The IJB's Chief Internal Auditor will submit an annual audit report of the Internal Audit function to the Chief Officer and the IJB (or Audit Committee) indicating the extent of audit cover achieved and achievement of any KPIs agreed, a summary of audit activity during the year, and providing an opinion on the framework of internal control / assurance and the adequacy and effectiveness of internal controls.

In accordance with Integrated Resource Advisory Group (IRAG) guidance the annual audit report and IJB Chief Internal Auditor's opinion will also be reported to the Audit Committees of NHS Tayside and the Council.

As stated in the IJB's Financial Regulations, the IJB, Chief Officer and Chief Finance Officer have a duty to inform the Council's Chief Internal Auditor and the NHS Counter Fraud Service of any suspicion of fraud, irregularity or any other matter concerning the contravention of the Financial Regulations affecting assets of the IJB or the Parties. The Chief Internal Auditor of the IJB will be notified by the Partners to be aware of any control weaknesses.

## **Authority**

The IJB shall ensure that, for all audits relating to all IJB functions, internal auditors are entitled without necessarily giving prior notice to require and receive:

- ◇ Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- ◇ Access at all reasonable time to any land, premises or employee of each organisation;
- ◇ The production of any cash, stores or other property of each organisation under an employee's control; and
- ◇ Explanations concerning any matter under investigation.

The Chief Internal Auditor or their representative and the External Auditor have a right of attendance at all IJB and Committee meetings. The Chief Internal Auditor and External Auditor shall have the right to direct access to the Chairs of the IJB and any Committees.

### **Assurances provided to parties outside the organisation**

As required by the IRAG guidance, the IJB's annual internal audit report is shared with the partner Health Board and Local Authority through the reporting arrangements in those bodies for internal audit.

In accordance with the principle that the parties and the IJB share both risks and accountabilities in many areas, Internal Audit plans of the Health Board and Council will be presented to the IJB Audit Committee and vice-versa, so that all parties can understand and comment on the assurances which will be received from this work and identify the opportunity for shared working.

Internal Audit will not provide assurance on activities undertaken by Angus IJB to outside parties without specific instruction from the IJB, unless in accordance with an agreed reporting protocol which will also include the requirement to share reports and working papers with the statutory External Auditors as well as the application of the Freedom of Information (Scotland) Act 2002.

### **Reporting arrangements**

Arrangements for reporting and follow-up are set out in the reporting and follow-up protocols (to be finalised).

### **Appointment of CIA and Internal Audit Staff, Professionalism, Skills & Experience**

The Chief Internal Auditor will be a member of a CCAB Institute or CMIIA with experience equivalent to at least five years post-qualification experience and at least three years of audit.

### **Independence**

PSIAS requires the Internal Audit function to be independent and objective, to interact directly with the Board and to have unfettered access to the Accountable Officer. When assisting management in establishing or improving risk management processes, Internal Audit will refrain from assuming any management responsibility by actually managing risks.

### **Quality Control and KPIs**

Staff from both the NHS and Local Authority Internal Audit Services will undertake their work in compliance with Public Sector Internal Audit Standards.

Internal audit staff will prepare audit specifications for each audit or group of audits within the annual programme. These will be agreed by the IJB's Chief Internal Auditor and provided to management with responsibility for the area under audit for comment and approval. Target dates will be included for each audit assignment and achievement measured.

Audits will be carried out in accordance with the agreed specification and each service's internal audit methodology and subject to their standard quality assurance processes. Should this not be achievable the CIA will raise this with the Accountable Officer.

The service will agree KPIs with management and report on their achievement within the annual internal audit plan.

## **ANNEX 1**

### **Internal Auditors' Code of Ethics**

#### **Principles**

##### **1. Integrity Principle**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

##### **2. Objectivity Principle**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of

##### **3. Confidentiality Principle**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

##### **4. Competency Principle**

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct Internal auditors:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.





**ANGUS HEALTH AND SOCIAL CARE**

**INTEGRATION JOINT BOARD AUDIT COMMITTEE – 19 APRIL 2017**

**AUDIT ARRANGEMENTS - EXTERNAL AUDIT ANNUAL AUDIT PLAN**

**REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER**

**1. PURPOSE OF REPORT**

This report provides Audit Committee members with information regarding the 2016/17 External Audit Annual Audit Plan.

**2. RECOMMENDATIONS**

It is recommended that the Integration Joint Board Audit Committee consider and note the attached External Audit Annual Audit plan.

**3.0 BACKGROUND**

**3.1 Requirement to produce a formal set of Financial Accounts for 2016/17**

As Board members will be aware, Angus IJB is required to produce a set of Financial Accounts. These will be produced in accordance with updated guidance from IRAG (Integrated Resources Advisory Group) and LASAAC (The Local Authority Scotland Accounts Advisory Group).

The requirements for 2016/17 will be different to 2015/16 reflecting both the issuing of revised guidance and also that the IJB is now operational and directing services unlike the situation for 2015/16.

In line with the guidance, Angus IJB's accounts will be produced in a manner consistent with Local Authority accounting and in compliance with The Code of Practice on Accounting for Local Authorities in the United Kingdom. As the IJB's annual accounts are produced in line with Local Authority principles, support in the production of these accounts will be provided by Angus Council as part of the Corporate Support Services arrangements.

**3.2 External Audit Arrangements**

As the accounts are being produced in accordance with Local Authority accounting principles, so the national position has been determined that the External Audit of the IJB's accounts will be undertaken by the relevant Local Authority's existing External Auditor. For Angus IJB and Angus Council this is Audit Scotland.

The Accounts Commission is a statutory body which appoints external auditors to Scottish local government bodies. Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. Audit appointments are generally for a 5 year period with a new Audit team now in place for Angus Council and at the start of a new 5 year period.

The Chief Finance Officer has met with the External Auditor to discuss the production and audit of 2016/17 annual accounts. There will be regular contact throughout the period of the audit.

### 3.3 External Audit Plan – 2016/17

Angus IJB's External Auditor has now produced an Annual Audit Plan for 2016/17. This is attached at appendix 1 for consideration and noting. The Audit will be undertaken to meet statutory reporting requirements as set on in exhibit 4 on page 9 of the attached Annual Audit Plan. In order to meet these timescales, the Audit Committee will require to approve the unaudited accounts on the 28<sup>th</sup> June 2017 and agree the audited accounts on the 30<sup>th</sup> August 2017.

## 4.0 FINANCIAL IMPLICATIONS

4.1 The only direct financial implications from the completion of an External Audit is the cost of the Audit itself. Audit Scotland have intimated that the 2016/17 Audit Fee will be £17470 in line with similar IJB audits elsewhere in Scotland.

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List of Appendices:

Appendix 1: Angus Integration Joint Board Annual Audit Plan 2016/17



# Angus Integration Joint Board

Annual Audit Plan 2016/17



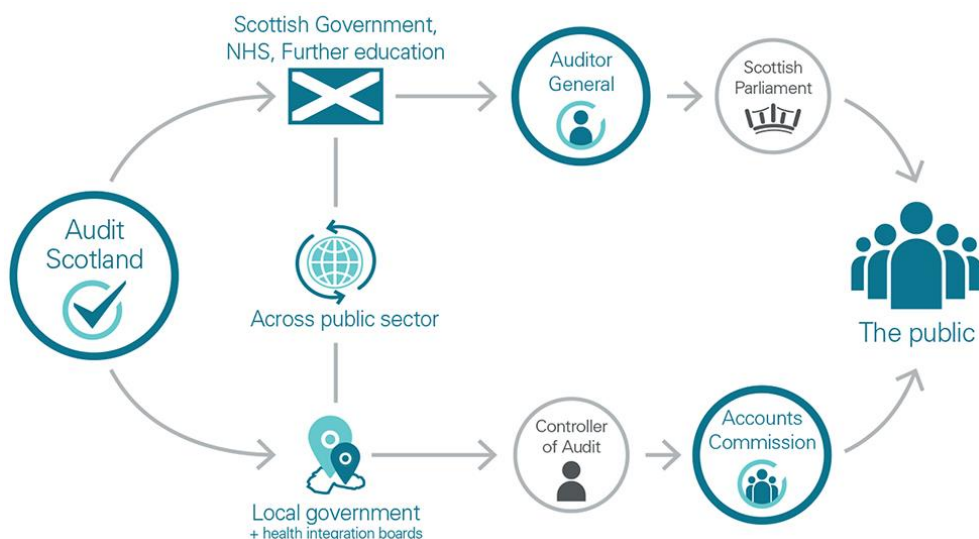
 AUDIT SCOTLAND

Prepared for Angus Integration Joint Board  
March 2017

## Who we are

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

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



## About us

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

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

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

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# Contents

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<b>Risks and planned work</b>	<b>4</b>
Audit risks	4
Reporting arrangements	6
Audit fee	7
Responsibilities	7
<b>Audit scope and timing</b>	<b>8</b>
Financial statements	8
Internal audit	10
Audit dimensions	10
Independence and objectivity	10
Quality control	11

# Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit of the Angus Integration Joint Board (IJB) and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

## Audit risks

2. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for the Angus IJB. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

## Exhibit 1

Audit Risk	Management assurance	Planned audit work
<b>Financial statement issues and risks</b>		
<p><b>1 Risk of management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Detailed testing of accounting entries.</p> <p>Service auditor assurances will be obtained from the audits of Angus Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.</p>
<p><b>2 Risk of Fraud over Expenditure</b></p> <p>The expenditure of the IJB is processed through the financial systems of Angus Council and NHS Tayside. There is a risk that non IJB related expenditure is incorrectly coded to the IJB account codes.</p>	<p>Robust budget monitoring.</p> <p>Assurances to be provided to the IJB by Angus Council and NHS Tayside on the completeness and accuracy of transaction coded to IJB account codes.</p>	<p>Obtain assurances from the auditors of Angus Council and NHS Tayside over the accuracy and completeness and appropriate allocation of the IJB ledger entries.</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</p>

Audit Risk	Management assurance	Planned audit work
<p><b>3 Financial Statements Preparation</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 incurred on behalf of the IJB for services prescribed in the integration scheme. There is a risk that the Chief Finance Officer does not obtain adequate assurance that information received from each party is accurate and complete.</p> <p>In addition the 2016/17 Code of Practice on Local Authority Accounting (the Code) introduces changes to the presentation of the financial statements including changes to the requirements of the annual governance statement to provide additional disclosures.</p>	<p>Strong working relationships with Angus Council and NHS Tayside</p> <p>The integration scheme specifies the financial reporting responsibilities of both Angus Council and NHS Tayside</p> <p>Monthly monitoring of financial information</p> <p>Assurances provided through internal audit arrangements (including Internal Audit review of Financial Management).</p> <p>Consideration of the 2016/17 Code of Practice on Local Authority Accounting (the Code) changes by those preparing the Annual Report and Accounts.</p>	<p>Review of the governance statement to ensure it adequately reflects the position of the IJB and compliance with the Code</p> <p>Confirm appropriate action is taken on issues raised in internal audit reports</p> <p>Confirm that financial reporting throughout the year is accurately reflected in the year end position</p> <p>Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year</p> <p>Obtain formal assurances from the auditors of Angus Council and NHS Tayside.</p>
<p><b>4 Financial Performance</b></p> <p>The latest financial monitoring report from February 2017 reported a projected outturn of £158.6m against a delegated budget of £156.8m, an overspend of £1.8m. The overspend relates mainly to an NHS Tayside related cost of prescribing.</p>	<p>Finance Monitoring reports provided to IJB Board.</p> <p>Assurances provided through internal audit arrangements (including Internal Audit review of Financial Management).</p>	<p>Confirmation of agreement of funding and balances with host bodies.</p> <p>Review outcomes of due diligence exercises.</p> <p>Ensure budget monitoring is robust and accurately reflects the financial position.</p>
Wider dimension risks		
<p><b>5 Financial sustainability</b></p> <p>NHS Tayside and Angus Council face significant financial pressures from funding reductions and increasing demand.</p> <p>There is a risk that the IJB in partnership with NHS Tayside and Angus Council may not be able to identify sustainable savings measures or meet cost pressures as they arise.</p>	<p>Budget Settlement and Budget Update papers provided to IJB Board.</p>	<p>Review the adequacy of arrangements to deal with deficits.</p> <p>Review the budget setting process.</p>
<p><b>6 Governance: Finance Support Services</b></p> <p>Finance support services are provided to the IJB by both Angus Council and NHS Tayside. This support continues to evolve</p>	<p>The Chief Finance Officer continues to work with both Angus Council and NHS Tayside to ensure required support is in place.</p>	<p>Monitor the IJB's management of this risk and the development of IJB financial reporting.</p>

Audit Risk	Management assurance	Planned audit work
<p>but is subject to issues such as staff turnover. The IJB has noted this as an area of risk potentially affecting the IJB's ability to improve its Locality Finance reporting.</p>		
<p><b>7 Governance and Transparency</b>            In order to ensure transparency, information about the nature of the IJB, its performance and governance should be readily accessible to the public.             Certain governance documentation has been agreed by the IJB (e.g. financial regulations) but is not listed in the Downloads section of the IJB website. The documentation is located within agenda papers for IJB meetings; this makes it harder for stakeholders to find. There is a risk that information on the governance and performance of the IJB is inaccessible to stakeholders.</p>	<p>Compliance with Model Publication Scheme.</p>	<p>Review the development of public reporting and the content of the IJB website.</p>

## Reporting arrangements

**3.** Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**4.** Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

**5.** We will provide an independent auditor's report to Angus IJB and the Accounts Commission summarising the results of the audit of the annual accounts. We will also provide them with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

## Exhibit 2 2016/17 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Report including ISA 260 requirements	30 September 2017	30 August 2017
Signed Independent Auditor's Report	30 September 2017	30 August 2017

## Audit fee

**6.** The proposed audit fee for the 2016/17 audit of Angus IJB is £17,470. In determining the audit fee we have taken account of the risk exposure of Angus IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package, on 30th June 2017.

**7.** Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

## Responsibilities

### Audit Committee and Chief Finance Officer

**8.** Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

**9.** The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

### Appointed auditor

**10.** Our responsibilities as independent auditor are established by the 1973 Act for local government, and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

**11.** Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

# Audit scope and timing

## Financial statements

**12.** The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of Angus IJB and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how Angus IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

**13.** We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the IJB and their expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements

## Materiality

**14.** Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for Angus IJB are set out in [Exhibit 3](#).





### Exhibit 3

#### Materiality values

Materiality level	Amount
<b>Planning materiality</b> - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 17 based on budget for 2016/17.	£1.499 million
<b>Performance materiality</b> - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of planning materiality.	£1.049 million
<b>Reporting threshold</b> - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality (rounded).	£ 0.015 million



**15.** We review and report on other information published with the financial statements including the management commentary, annual governance statement and the remuneration report. Any issue identified will be reported to the Audit Committee.

#### Timetable

**16.** To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

### Exhibit 4

#### Financial statements timetable

 Key stage	 Date
Agreement of year end balances with NHS Tayside	By 31 May 2017
Consideration of unaudited financial statements by those charged with governance	28 June 2017
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with Chief Finance Officer	16 August 2017
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	30 August 2017
Independent auditor's report signed	By 30 September 2017

## Internal audit

**17.** Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit is provided by Fife, Tayside and Forth Valley Audit and Management Services (FTF) supported by Angus Council's internal audit section.

**18.** Overall, we concluded that the internal audit service provided by FTF and Angus Council generally operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and appropriate documentation standards and reporting procedures are in place.

**19.** In respect of our wider dimension audit responsibilities we plan to consider areas of internal audit work including: due diligence; financial management and performance management. There are no planned internal audit reviews that would impact on our financial audit work.

## Audit dimensions

**20.** Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

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### Exhibit 5

#### Audit dimensions



**21.** The appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

#### Financial sustainability

**22.** As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term

- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the board can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

### Financial management

**23.** Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

### Governance and transparency

**24.** 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. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports.
- the quality and timeliness of financial and performance reporting.

**25.** An additional area we will cover in our 2016/17 audit is a follow-up review of the previous Audit Scotland national performance audit:

- The Role of Boards. This report was published in September 2010. The follow up review will assess the governance, decision-making and scrutiny arrangements of the IJB.

### Value for money

**26.** Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether Angus IJB can provide evidence that it is demonstrating value for money in the use of its resources and achievement of outcomes.

### Independence and objectivity

**27.** Auditors appointed by Audit Scotland must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

**28.** The engagement lead for Angus IJB is Gillian Woolman, Assistant Director. Auditing and ethical standards require the appointed auditor to communicate any

relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Angus IJB.

## Quality control

**29.** International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

**30.** The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

**31.** As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

# Angus Integration Joint Board

## Annual Audit Plan 2016/17

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or [info@audit-scotland.gov.uk](mailto:info@audit-scotland.gov.uk)

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**ANGUS HEALTH AND SOCIAL CARE**

**INTEGRATION JOINT BOARD AUDIT COMMITTEE – 19 APRIL 2017**

**RESERVES POLICY**

**REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER**

**ABSTRACT**

This report sets out the proposed Reserves Policy for the Angus Integration Joint Board for consideration and approval and describes the purposes for which reserves may be held.

**1. RECOMMENDATIONS**

It is recommended that the Integration Joint Board Audit Committee approve the proposed Reserves Policy.

**2. BACKGROUND**

2.1 Angus IJB has the same legal status as a local authority and is empowered to hold reserves under section 106 of the Local Government (Scotland) Act 1973. The IJB's financial regulations (6.1.1) (March 2016) set out the requirement to develop a Reserves Policy.

2.2 Reserves require to be considered and managed to provide security against unexpected cost pressures and aid financial stability. To assist in this regard, The Chartered Institute of Public Finance and Accountancy (CIPFA) have issued guidance in the form of Local Authority Accounting Panel (LAAP) Bulletin 55 – Guidance Note on Local Authority Reserves and Balances and LAAP Bulletin 99 – Local Authority Reserves and Balance. This guidance outlines the framework for reserves, the purpose of reserves and some key issues to be considered when determining the appropriate level of reserves.

2.3 The purpose of a reserve policy is to:

- outline the legislative and regulatory framework underpinning the creation, use or assessment of the adequacy of reserves;
- identify the principles to be employed by the IJB in assessing the adequacy of the IJB's reserves;
- indicate how frequently the adequacy of the IJB's balances and reserves will be reviewed; and
- set out arrangements relating to the creation, amendment and use of reserves and balances.

2.4 The IJB generally utilises its resources in line with the Strategic Plan. The IJB will be able to use its powers to hold reserves so that in some years it may plan for a contribution to build up reserve balances, or use a contribution from reserves in line with the reserve policy. The IJB may build up reserves year on year as a result of unanticipated underspends or the need to ring fence certain funding for specific multi-year commitments.

### **3. SUMMARY OF KEY ISSUES**

- 3.1 The proposed Reserves Policy is attached as an Appendix and provides the detail to support the governance for creating and holding revenue reserves for the IJB.
- 3.2 The proposed Reserves Policy recommends setting a prudent level of contingency general reserve at 2% of the IJB net expenditure. It is acknowledged that due to the financial constraints on the IJB this will be challenging to deliver in the early years and can only be delivered when the need to maintain an appropriate level of service delivery for the population in each year has been met.
- 3.3 Earmarked Reserves relate to specific funds for specific purposes and will only be used for these purposes, often spanning multiple years. Whilst these reserves are fully committed and therefore not free to use, these too will be regularly monitored. Any change of use, or decisions relating to residual balance will require the approval of the IJB.

### **4. CONCLUSIONS**

- 4.1 It is important for the long term financial stability of both the IJB and the parent bodies that sufficient usable funds are held in reserve to manage unanticipated pressures from year to year.
- 4.2 Reserve balances are not a sustainable approach for balancing the IJB budget and should be regarded as one-off funding only. The use of reserve balances will be dependent on the nature of the reserve.
- 4.3 Similarly it is also important that in year funding available for specific projects and government priorities is able to be earmarked and carried forward into the following financial year, either in whole or in part, to allow for spend to be committed and managed in a way which represents best value for the IJB in its achievement of the national outcomes.
- 4.4 The proposed Reserves Policy supports the Financial Regulations which set out the financial governance framework that the IJB will operate within.
- 4.5 It is important to note that IJB Partners may require the IJB to utilise reserves to ensure the required financial outcomes of the IJB in any given financial year.

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List of Appendices:

Appendix 1: Reserves Policy





**ANGUS INTEGRATION JOINT BOARD**

# **RESERVES POLICY**

## CONTENTS

1. Background
2. Statutory/Regulatory Framework for Reserves
3. Operation of Reserves
4. Role of the Chief Finance Officer
5. Adequacy of Reserves
6. Reporting Framework
7. Accounting and Disclosure
8. Reserves Protocol

## 1. BACKGROUND

To assist local authorities (and similar bodies) in developing a framework for reserves, the Chartered Institute of Public Finance and Accountancy have issued guidance in the form of the Local Authority Accounting Panel (LAAP) Bulletin 55 – Guidance Note on Local Authority Reserves and Balances and LAAP Bulletin 99 – Local Authority Reserves and Balances. This guidance outlines the framework for reserves, the purpose of reserves and some key issues to be considered when determining the appropriate level of reserves.

## 2. STATUTORY/REGULATORY FRAMEWORK FOR RESERVES

2.1 Local Government bodies, which includes the IJB for these purposes, may only hold reserves for which there is a statutory or regulatory power to do so. In Scotland, the legislative framework includes:

Reserve	Powers
General Fund	Local Government Scotland Act 1973
Repairs and Renewals fund	Local Government Scotland Act 1973
Insurance Fund	

2.2 For each reserve there should be a clear protocol setting out:

- the reason / purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserves management and control; and
- the review timescale to ensure continuing relevance and adequacy.

2.3 Over recent years the Local Authority Accounting Code of Practice has also introduced a number of technical reserves in line with proper accounting practice associated with capital accounting and FRS17. These reserves are governed by specific accounting treatment and do not form part of the general available reserves.

2.4 The adequacy and relevance of each fund will be reviewed by the Chief Finance Officer at the end of each financial year and through the budget process. All recommendations for movements in balances will be reported to the IJB either through the year-end report or as part of the strategic commissioning plan and budget strategy.

## 3. OPERATION OF RESERVES

3.1 Reserves are generally held for three purposes:

- create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- create a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

3.2 The balance of reserves normally comprises of three elements:

- funds that are earmarked or set aside for specific purposes. In Scotland, under Local Government rules, the IJB cannot have a separate Earmarked Reserve within the Balance Sheet, but can highlight elements of the General Fund balance required for specific purposes.
- contingency funds which are not earmarked for specific purposes, but are set aside to deal with unexpected events or emergencies; and
- funds held in excess of the target level of reserves and the identified earmarked sums. Reserves of this nature can be spent or earmarked at the discretion of the IJB.

- 3.3 In line with financial reporting guidance for IJB's, and due to IJB's not currently holding cash or having bank accounts, it is anticipated that the funding associated with reserves will be held by one of the IJB's partners on behalf of the IJB and will appear as a debtor balance within the IJB's Financial Accounts supporting any reserve.

#### **4. ROLE OF THE CHIEF FINANCE OFFICER**

- 4.1 The Chief Finance Officer is responsible for advising on the optimum levels of reserves for the IJB. The IJB, based on this advice, should then approve the appropriate management of reserves as part of the budget process.

#### **5. ADEQUACY OF RESERVES**

- 5.1 In determining the reserve levels, the Chief Finance Officer must take account of the strategic, operational and financial risks facing the IJB over the medium term and the IJB's overall approach to risk management.
- 5.2 In determining the level of general reserves, the Chief Finance Officer should consider the IJB's Strategic Plan, the medium term financial outlook and the overall financial environment. Guidance also recommends the Chief Finance Officer reviews any earmarked reserves as part of the annual budget process and development of the Strategic Plan.
- 5.3 Given the size and scale of the IJB's responsibilities, over the medium term it is considered that it would be an aspiration to achieve a level of contingency general reserves which represents approximately 2% of net expenditure. This value of reserves must be reviewed annually as part of the IJB's Budget and Strategic Plan, reviewed in the context of the financial environment at that time and considered in the context of the need to maintain an appropriate level of service delivery for the population in each year. The level of other earmarked funds will be established as part of the annual budget process.

#### **6. REPORTING FRAMEWORK**

- 6.1 The Chief Finance Officer has a duty to ensure proper stewardship of public funds including IJB reserves.
- 6.2 The level and utilisation of reserves will be formally approved by the IJB based on the advice of the Chief Finance Officer. To enable the IJB to reach a decision, the Chief Finance Officer should clearly state the factors that influenced this advice.
- 6.3 As part of budget reporting, the Chief Finance Officer should state:
- the current value of general reserves, the movement proposed during the year, the estimated year-end balance and the extent that balances are being used to fund recurrent expenditure;
  - the adequacy of general reserves in light of the IJB's Strategic Plan, the medium term financial outlook and the overall financial management;
  - an assessment of earmarked reserves and advice on appropriate levels and movements during the year and over the medium term; and
  - if the reserves held are below the optimum levels, that the IJB should be considering actions to meet the target through their budget process noting the need to maintain an appropriate level of service delivery for the population in each year.

#### **7. ACCOUNTING AND DISCLOSURE**

- 7.1 Entries within a reserve are specifically restricted to 'contributions to and from the revenue account' with expenditure charged to the service revenue account.

## **8. RESERVES PROTOCOL**

### **8.1 General Fund**

Purpose of the Reserve                      The General Fund of the Integration Joint Board will be utilised to hold balances generated within the Income and Expenditure Account, net of any amounts transferred to the Repairs and Renewals Fund, and the Insurance Fund.

Use of Reserve                      This represents the general reserve of the Integration Joint Board and is used to manage the financial strategy of the Integration Joint Board. Any use of general fund reserves has to be approved by the Integration Joint Board through the appropriate committee framework.

Management and Control                      Management and control is maintained through the established financial management frameworks and review through the year end and budget process.

### **8.2 Repairs and Renewals Fund**

Purpose of the Reserve                      To defray expenditure to be incurred from time to time in repairing, maintaining, and renewing any buildings, works, plant, equipment or articles belonging to, or utilised by, the Integration Joint Board.

Use of Reserve                      This reserve would be used to manage repairs and renewal investment in buildings and equipment.

Management and Control                      Management and control is maintained through the established financial management frameworks and review through the year end and budget process.

### **8.3 Insurance Fund**

Purpose of the Reserve                      An insurance fund may be operated for the following purposes:  
  
(a) where the Integration Joint Board could have insured against a risk but has not done so, defraying any loss or damage suffered, or expenses incurred, by the Integration Joint Board as a consequence of that risk;  
  
(b) paying premiums on a policy of insurance against a risk.

Use of Reserves                      The reserve is used to manage insurance costs over the medium term.

Management and Control                      The insurance fund is subject to dedicated accounting rules and procedures as approved by LASAAC (Local Authorities Scotland Accounts Advisory Committee).



**ANGUS HEALTH AND SOCIAL CARE**

**INTEGRATION JOINT BOARD AUDIT COMMITTEE – 19 APRIL 2017**

**GOVERNANCE UPDATE**

**REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER**

**1. PURPOSE**

This report provides an update on a series of Governance issues within the IJB and makes a series of general and specific recommendations.

**2. RECOMMENDATIONS**

It is recommended that the Integration Joint Board Audit Committee:-

- (i) note the provision of Audit Committee member development session in 2016/17 and approve the proposal for annual development session in future years.
- (ii) endorse the proposal to increase the membership of the Audit Committee from 5 members to 6 members to increase the continuity of the Audit Committee, subject to the formal change being reflected in the IJB's overall governance review.
- (iii) note the planned re-scheduling of the review of the IJB's financial regulations.
- (iv) note the planned approach to the review of the role of the IJB's Chief Finance Officer In the context of CIPFA's Statement on the role of the Chief Finance Officer in Local Government.
- (v) consider the "Follow Up Actions" from the Annual Internal Audit report and note the updates in Section 5 of this report.
- (vi) consider the updated response to the Audit Scotland self assessments and note the updates in Section 6 of this report.
- (vii) agree to a further review of governance arrangements being undertaken in early 2017/18.

**3. BACKGROUND**

Development Session

A local Audit Committee Developments session was delivered on 26<sup>th</sup> October 2016 with 3 Audit Committee members present (noting one post was vacant at the time). Since then a further development opportunity was made available through a Tayside-wide session delivered in February 2017. It is important to note that IJB Audit Committee membership has evolved somewhat over recent months with one further new member from February 2017. There may be further change after upcoming Council elections in May 2017.

Given the recent turnover within Audit Committee membership and the need to ensure all Audit Committee members are fully familiar with the breadth of their roles it is now proposed to hold Audit Committee developments sessions annually in the period after August of each year (when annual accounts will have been considered) and before the financial year end.

## Membership & Support

The IJB has now appointed a new Audit Committee member (Peter Burke) to replace Neil Prentice who stepped down in December 2016. All eligible IJB Board members were approached and Peter's appointment was confirmed at the IJB Board meeting in February 2017.

Previously the Committee supported seeking additional officer representation from NHS Tayside and Angus Council at Audit Committee meetings. Angus Council have indicated they would provide support on an "as required" basis. NHS Tayside have not yet confirmed if they can provide additional officer support. However it is important to recognise the pressure all corporate support functions are operating under. Previously it was also agreed that the Audit Committee grant flexibility to the Audit Committee Chairperson and Chief Finance Officer to explore available options to bring in additional advisory representation. This is still under consideration.

Noting the turnover of Audit Committee members, it is now suggested that membership is increased from 5 to 6 members. This is intended to increase the sustainability of Committee membership and, noting the intention to have a limited number of meetings per annum, it is anticipated that a suitable candidate can be agreed from the wider main Board membership. The Audit Committee is asked to endorse this proposal in advance of the formal change being reflected in the IJB's overall governance review.

## Governance Reviews

Financial Regulations - It is intended that there will be a broad review of the IJB's governance framework from April 2017 onwards. This will include a review of the IJB's financial regulations. As at the end of March 2017, there have been no known instances of the existing Financial Regulations not being suitable for the activities of the IJB in 2016/17, however it will be prudent for these regulations to now be reviewed.

Reserves Policy – All Integration Joint Board require to have a reserves policy. A separate paper is provided to the Audit Committee to approve the IJB's reserves policy.

Other governance reviews are ongoing and these are described in the sections below.

#### **4. REVIEW OF THE ROLE OF CHIEF FINANCE OFFICER IN THE CONTEXT OF CIPFAs STATEMENT OF THE ROLE OF CFO IN LOCAL GOVERNMENT**

It was previously agreed that that an independent review of the IJB's Chief Finance Officer's role be undertaken to ensure it complies with the five main principles contained within the CIPFA Statement on the role of the Chief Finance Officer. The review was to be undertaken in advance of the 2016/17 year end processes to provide necessary re-assurance to External Audit when reviewing governance arrangements.

This review will now happen during April/May 2017 as part of the early phase of the 2017/18 Internal Audit programme but with the outcomes known for the June Audit Committee.

#### **5. ANNUAL INTERNAL AUDIT REPORT – FOLLOW UP ACTIONS**

Angus IJB's Internal Auditors produced an Annual Internal Audit Report in June 2016 as part of the Annual Accounts process. They subsequently provided a checklist for monitoring progress against various issues raised in that Annual report. An update on the Angus IJB position regarding the checklist was shared at the December meeting of the Audit Committee. In December 2016, three main issues were noted. These are shown below with associated updates:-

1. Note the status of Large Hospital arrangements and the need for the IJB to progress these in conjunction with NHS Tayside. Update to Audit Committee or IJB Board – May 2017.

Update: Position described in April 2017 Budget Setting papers provided to Angus IJB.

2. Note the reliance on Corporate Support arrangements and undertake review of corporate support after first full year of operation. Update to IJB Board – June 2017.

Update: Review still required for June 2017.



3. Importantly note that the general governance framework for the IJB does need reviewed and clarified in conjunction with Partners. Interim update to Audit Committee – Autumn 2017.

Update: Formal position still to be confirmed with Partners.

Outstanding points from the above checklist will continue to be pursued and updates provided to future Audit Committee meetings.

## **6. AUDIT SCOTLAND – SELF ASSESSMENT**

In December 2015 Audit Scotland produced a report titled “Health and Social Care Integration” with an associated self–assessment checklist. The IJB completed the self assessment in December 2016 and a follow-up is attached at appendix 1.

In December 2016, two main issues were noted. These are shown below with associated updates:-

1. Consider the priority of the requirement for IJB members to receive training and development to prepare them for their role, including managing conflicts of interest, understanding the organisational cultures of the NHS and councils and the roles of non-voting members of the IJB.

Update: The IJB undertook a pre-integration development programme for future Board members. Due to the skills of existing Board members, there are no plans to deliver further development sessions currently. This matter will be kept under review.

2. Note the delays in developing financial plans for each locality and the steps that will initially be taken to determine which resources will be managed at a locality level.

Update: This matter remains unresolved. Progress is dependent on resolving a number of issues associated with overall budgetary framework within the IJB.

Outstanding points from the above self assessment will continue to be pursued and updates provided to future Audit Committee meetings.

## **7. CONCLUSION**

This paper provides an overview of the current status of governance arrangements within the IJB. It notes certain recommendations above and the appendices set out other pieces of work that are also under review – generally with agreed timelines. Alongside these individual pieces of work, it is also recommended that a further review of governance is undertaken in mid-2017.

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**April 2017**

## **APPENDICES**

Appendix 1 – Audit Scotland Report – Health and Social care Integration – December 2015 – Self Assessment – Update



AUDIT SCOTLAND REPORT – HEALTH AND SOCIAL CARE INTEGRATION – DECEMBER 2015 - ACTION PLAN – SELF ASSESSMENT – UPDATE

Ref. 96/16	Integration Authorities recommendations	Angus Status	Actions	Timeline (December 2016)	IJB Status (April '17)
	<b>Provide clear and strategic leadership to take forward the integration agenda;</b> this includes:				
1	- developing and communicating the purpose and vision of the IJB and its intended impact on local people.	A communication and engagement plan was produced in 2013. This has been reviewed and the new Communication, Participation and engagement Strategy is to be approved by the IJB on 14 December 2016.	The IJB is holding a development event in January aimed at further developing the role of localities.	January 2017	"Future Search" Event held in Brechin 19/01/17. Actions ongoing and issue assumed closed.
2	- having high standards of conduct and effective governance, and establishing a culture of openness, support and respect.	The IJB has established an effective governance framework as evidenced by 2015/16 Governance Statement. It has a Code of Conduct in place with a Standards Officer and has agreed a Publication Scheme.	The IJB will continue to develop its Governance Statement as described in the "Future Developments" section of Annual Accounts  The IJB still needs to fully enact its Publication Scheme	June 2017 (2016/17 Governance Statement)  March 2017	Actions ongoing and issue assumed closed.  Outstanding Not fully implemented
	<b>Set out clearly how governance arrangements will work in practice, particularly when disagreements arise, to minimise the risk of confusing lines of accountability, potential conflicts of interests and any lack of clarity about who is ultimately responsible for the quality of care and scrutiny.</b> This includes:				

Ref. 96/16	Integration Authorities recommendations	Angus Status	Actions	Timeline (December 2016)	IJB Status (April '17)
3	<ul style="list-style-type: none"> <li>- setting out a clear statement of the respective roles and responsibilities of the IJB (including individual members), NHS board and council, and the IJB's approach towards putting this into practice.</li> </ul>	<p>Clarification of Governance arrangements remains a complex issue and one that requires involvement of Partners to resolve.</p>	<p>Reviews of Governance arrangements to be considered in conjunction with Internal Audit, NHS Tayside, Angus Council and other IJBs.</p>	Autumn 2017	Outstanding. Not fully resolved. Chief Officer. Autumn 2017.
4	<ul style="list-style-type: none"> <li>- ensuring that IJB members receive training and development to prepare them for their role, including managing conflicts of interest, understanding the organisational cultures of the NHS and councils and the roles of non-voting members of the IJB.</li> </ul>	<p>This remains outstanding and the Audit Committee will be asked for a view on this in terms of IJB Priorities.</p> <p>*Revised* The IJB undertook a pre-integration development programme for future Board members. Due to the skills of existing Board members, there are no plans to deliver further development sessions currently. This matter will be kept under review.</p>	<p>To seek views of Audit Committee as to requirement for this.</p> <p>*Revised* No further action required</p>	December 2016	New IJB members receive Code of Conduct, Scottish Government guidance on being a Board Member of an IJB and register of interest information.
5	<p><b>Ensure that a constructive working relationship exists between IJB members and the chief officer and finance officer and the public.</b> This includes:</p> <ul style="list-style-type: none"> <li>- setting out a schedule of matters reserved for collective decision-making by the IJB, taking account of relevant legislation and ensuring that this is monitored and updated when required.</li> </ul>	<p>The IJB has an agreed Scheme of Delegation.</p>	<p>The IJB's Standing Orders, Scheme of Financial Regulation will be reviewed by April 2017.</p>	April 2017	Outstanding The IJB's Standing Orders, Scheme of Delegation and Financial Regulation will be reviewed. CFO/Legal. From April 2017.
6	<ul style="list-style-type: none"> <li>- ensuring relationships between the IJB, its partners and the public are clear so each knows what to expect of the other.</li> </ul>	<p>Clarification of Governance arrangements remains a complex issue and one that requires involvement of Partners to resolve.</p>	<p>Reviews of Governance arrangements to be considered in conjunction with Internal Audit, NHS Tayside, Angus</p>	Autumn 2017	Outstanding Chief Officer. Autumn 2017.

Ref.	Integration Authorities recommendations	Angus Status	Actions	Timeline (December 2016)	IJB Status (April '17)
96/16			Council and other IJBs.		
	<b>Develop financial plans that clearly show how IAs will use resources such as money and staff to provide more community-based and preventative services.</b> This includes:				
16	- developing financial plans for each locality, showing how resources will be matched to local priorities.	The IJB set out an intention to “develop financial planning and monitoring processes that reflect the role of localities; the use of resources within localities...”. To date that has not been achieved.  Issues include :-Capacity to take forward; capability of systems to dual report via existing structures and Localities; clarity regarding management of resources within localities.	Formally determine which resources will be managed at a locality level.  Migrate Finance systems from existing structures to Locality structures. (See Status).	March 2017  TBC	Outstanding Work delayed as overall budgetary framework requires to be refreshed first. CFO. Update Autumn 2017.
17	- ensuring that the IJB makes the best use of resources, agreeing how Best Value will be measured and making sure that the IJB has the information needed to review value for money and performance effectively.	The IJB produces regular finance reports for Board meetings. The IJB needs to further develop its processes to demonstrate that Best Value is being delivered	Develop performance reporting that enables reviews of value for money and performance.	June 2017	Annual Performance Report to be available. June 2017.

	Integration Authorities, Councils and NHS Boards recommendations	Angus Status	Actions	Timeline	IJB Status (April '17)
19	Recognise and address the practical risks associated with the complex accountability arrangements by developing protocols to ensure that the chair of the IJB,	Clarification of Governance arrangements remains a complex issue and one that requires involvement of	Reviews of Governance arrangements to be considered in conjunction with Internal	Autumn 2017	Outstanding. Not fully resolved. Chief Officer.

	<b>Integration Authorities, Councils and NHS Boards recommendations</b>	<b>Angus Status</b>	<b>Actions</b>	<b>Timeline</b>	<b>IJB Status (April '17)</b>
	the chief officer and the chief executives of the NHS board and council negotiate their roles in relation to the IJB early on in the relationship and that a shared understanding of the roles and objectives is maintained.	Partners to resolve.	Audit, NHS Tayside, Angus Council and other IJBs.		Autumn 2017.
20	Review clinical and care governance arrangements to ensure a consistent approach for each integrated service and that they are aligned to existing clinical and care governance arrangements in the NHS and councils.	Template for reporting to R2 agreed. The reporting schedule for R3 groups into R2 has been agreed, Clinical Director (CD) to report on behalf of R2 to the NHS Tayside Clinical Quality Forum.	Angus HSCP R2 group reporting into Angus Council is still to be agreed. Continue to modify arrangements as IJB develops recognising evolving relationships between partners.	March 2017  Ongoing	Outstanding. CD
21	Urgently agree budgets for the IA; this is important both for their first year and for the next few years to provide IAs with the continuity and certainty they need to develop strategic plans; this includes aligning budget-setting arrangements between partners.	2016/17 Budgets agreed with Angus Council (subject to ongoing review) and agreed with NHS Tayside – subject to resolution of small number of caveats.  Future year budget subject to further discussion.	2016/17 Clarifications to be resolved. 2017/18 – Budget discussion under way with AC & NHST. Longer term plans more complicated due to uncertainty with Partner financial planning.	March 2017  March 2017	Ongoing clarification of baseline budgets. CFO.  2017/18 budget settlements to Board Mtgs April 2017. CFO.
22	Establish effective scrutiny arrangements to ensure that councillors and NHS non-executives, who are not members of the IJB board, are kept fully informed of the impact of integration for people who use local health and care services.	NHS Tayside main Board do not receive copies of Angus HSCP Board meetings.	Issue to be noted to NHS Tayside. (via Internal Audit as pan-Tayside issue).	January 2017	To be confirmed in line with overall governance arrangements



**AGENDA ITEM NO 8**

**REPORT NO IJB 24/17**

**ANGUS HEALTH AND SOCIAL CARE**

**INTEGRATION JOINT BOARD AUDIT COMMITTEE – 19 APRIL 2017**

**2016/17 INTERNAL AUDIT PLAN – PROGRESS REPORT**

**REPORT BY ALEXANDER BERRY, CHIEF FINANCE OFFICER**

**PURPOSE**

To present a report setting out progress towards delivery of the 2016/17 Internal Audit Plan.

**1. RECOMMENDATION**

It is recommended that the Integration Joint Board Audit Committee consider and note the attached provisional Internal Audit Progress Report.

**2. BACKGROUND**

Appendix 1 is Angus IJB's provisional Internal Auditor's progress report on the 2016/17 Internal Audit Plan. An equivalent report will be produced routinely for all Audit Committee meetings describing progress with Internal Audit Plans.

**3. CONCLUSION**

The IJB requires to consider and note the attached progress report.

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**April 2017**





## INTERNAL AUDIT PROGRESS REPORT

### 1. PURPOSE OF THE REPORT

The aim of this paper is to brief the Audit Committee on the progress on the 2016/17 internal audit plan.

### 2. RECOMMENDATIONS

The Audit Committee is asked to:

- Note the progress on the 2016/17 internal audit plan.

### 3. EXECUTIVE SUMMARY

Work on the completion of the plan is continuing and progress is as expected.

#### 3.1 COMPLETED AUDIT WORK

The following audit product, with the audit opinion shown, has been issued in 2016/17. The Annual Report was reported in full to this committee at its meeting on 29 June 2016. An update on how the actions arising from this report are being addressed is included under a separate agenda item.

		Opinion	Draft Issued	Finalised
<b>AN03-17</b>	Angus IJB Annual Report	N/A	8 June 2016	15 June 2016

#### 3.2 DRAFT REPORTS ISSUED

		Draft Issued
<b>AN07-17</b>	Financial Management	11 April 2017

#### 3.3 WORK IN PROGRESS

The following reflects audit where fieldwork is under way:

<b>AN06-17</b>	Performance Management	Accurate, relevant and reliable reporting against strategic plan objectives and core integration indicators. Compliance with DL 2016 (05).
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The following are projects for which we do not produce a formal report. A year end summary will be reported to the June 2017 Audit Committee:

<b>AN01-17</b>	Audit Planning	Agreeing audit universe and preparation of strategic plan
<b>AN02-17</b>	Audit Management	Liaison with managers and directors and attendance at Audit Committee
<b>AN04-17</b>	Governance & Assurance	Ongoing support and advice on further development of governance and assurance structures, including issues identified as part of the annual report process

### 3.4 PLANNING COMMENCED

The following reflects audit work where risk analysis has been undertaken and assignment plans are being drafted for agreement with client management:

<b>AN05-17</b>	Due Diligence	Review/Validation of IJB post-implementation review
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In addition, planning has commenced on a separate audit assignment to assess Angus IJB's compliance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015). It is planned that Internal Audit will develop a checklist against the 5 principles. The scope of this review is to independently assess compliance with the 5 principles through review of local self-assessments against these 5 principles to feed into the 2016/17 annual accounts.

## 4. MEASURES FOR IMPROVEMENT

Each audit report includes an action plan that contains prioritised actions, associated lead officers and timescales.

## 5. RESOURCE IMPLICATIONS

### Financial

There are no direct financial implications.

### Workforce

Resources to deliver the plan will be provided by the NHS Tayside and Angus Council Internal Audit services. 20 days have been included in the 2016/17 Internal Audit Plans for each party. Progression of the audit plan is undertaken under the supervision of the Chief Internal Auditor.

## 6. TIMETABLE FOR IMPLEMENTATION

Audit work is planned so as to allow the Chief Internal Auditor to provide the necessary assurances prior to the signing of the accounts.

**A Gaskin, BSc, ACA**  
**Chief Internal Auditor**