

# Angus Integration Joint Board

2017/18 Annual Audit Report DRAFT



 AUDIT SCOTLAND

Prepared for the Angus Integration Joint Board and the Controller of Audit

29 August 2018

## Who we are

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

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



## About us

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

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

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

# Contents

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Key messages	4
Introduction	5
Part 1 Audit of 2017/18 annual accounts	7
Part 2 Financial management and sustainability	9
Part 3 Governance, transparency and value for money	13
Appendix 1 Action plan 2017/18	17
Appendix 2 Significant audit risks identified during planning	21
Appendix 3 Summary of national performance reports 2017/18	24

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# Key messages

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## 2017/18 annual report and accounts

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

## Financial management and sustainability

- 3** Angus Integration Joint Board has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.
- 4** Angus Integration Joint Board concluded 2017/18 with a surplus of £0.380 million. This amount has been added to the reserves of the IJB which now stand at £0.962 million.

## Governance, transparency and value for money

- 5** Angus Integration Joint Board has appropriate governance arrangements in place that support the scrutiny of decisions by the board.
- 6** Angus Integration Joint Board conducts its business in an open and transparent manner, holding meetings in public and having meeting papers and governance documentation publicly available on its website.
- 7** Angus Integration Joint Board has effective arrangements for scrutinising performance and monitoring progress towards its strategic priorities. The annual performance report now includes an assessment of how best value is being delivered, meeting the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

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# Introduction

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1. This report is a summary of our findings arising from the 2017/18 audit of Angus Integration Joint Board (the 'IJB').

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

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

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## Exhibit 1

### Audit dimensions



Source: *Code of Audit Practice 2016*

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

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

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

**5.** The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

**6.** Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.

**7.** As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's financial management and sustainability, governance, transparency and value for money. In doing this, we aim to support improvement and accountability.

**8.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.

**9.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist.

**10.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

**11.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

### **Adding value through the audit**

**12.** Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

**13.** This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

**14.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

# Part 1

## Audit of 2017/18 annual accounts



### Main judgements

**In our opinion Angus Integration Joint Board's financial statements give a true and fair view and were properly prepared.**

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

### Audit opinions on the annual accounts

**15.** The annual accounts for the year ended 31 March 2018 were approved by the Audit Committee on 29 August 2018. We reported within our independent auditor's report that in our opinion:

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

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

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

### Submission of annual accounts for audit

**17.** We received the unaudited annual accounts on 29 June 2018 in line with our agreed audit timetable.

**18.** The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

### Risks of material misstatement

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

### Materiality

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

**21.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#). The revised materiality levels were not sufficient to require a change in our audit approach.

## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£1.631 million
Performance materiality	£1.223 million
Reporting threshold	£15 thousand

Source: Angus IJB unaudited annual accounts 2017/18

## How we evaluate misstatements

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

## Significant findings from the audit in accordance with ISA 260

**23.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. There were no significant findings from the audit of the Angus IJB financial statements.

## Other findings

**24.** Our audit identified several minor presentational issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

## Good practice in financial reporting

**25.** The annual accounts reflect good practice as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)' (April 2018). The Annual Performance Summary has been expanded to highlight key achievements in the year. It also reports a range of indicators to give a balanced picture of how IJB services are performing over time and against the Scottish average.

## Follow up of prior year recommendations

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

**27.** In total, five agreed actions were raised in 2016/17. The IJB has made very good progress during 2017/18 and has implemented all five actions. We recognise that medium term financial planning is an ongoing challenge for the IJB and the 3-year financial plan is an area of continuing development.



# Part 2

## Financial management and sustainability



### Main judgements

Angus Integration Joint Board has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.



Angus Integration Joint Board achieved a surplus of £0.380 million. This amount has been added to the reserves of the IJB which currently stand at £0.962 million. This is in accordance with the reserves policy of the IJB.

### Financial management

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

- the Chief Finance Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

**29.** We have attended IJB meetings and reviewed the arrangements in place within Angus IJB. We have concluded that there are appropriate arrangements in place to provide timely and reliable information for monitoring financial performance. We report on the IJB's financial performance below.

### Systems of internal control

**30.** Angus IJB relies on NHS Tayside and Angus Council to provide financial support services to the board. This includes processing payments to external suppliers on behalf of the IJB, paying the staff employed to provide services for the IJB and recording the transactions and producing regular finance reports for the IJB.

**31.** As part of our audit approach we sought assurances from the external auditors of NHS Tayside and Angus Council (in accordance with ISA 402) and confirmed there were no significant weaknesses in the systems of internal controls in either

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

organisation that would have an impact on the information used to prepare the IJB accounts.

## Financial performance in 2017/18

**32.** The IJB does not have any assets, nor does it directly incur expenditure or directly employ staff, the Chief Officer and Chief Finance Officer are employed by NHS Tayside. All funding and expenditure for the IJB is incurred by the partner bodies and processed in their accounting records. Except for the NHS Tayside assurances noted at paragraph 44, satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

**33.** The year end financial performance is summarised in [Exhibit 3](#). Under the risk sharing arrangements in the Integration Scheme, the £0.9 million overspend on NHS Tayside directed services was matched by additional budget from NHS Tayside at year end. In 2017/18 Angus IJB had a £0.38 million surplus on provision of Angus Council Adult Services; the underspend has been carried forward in the reserves of the IJB.

**34.** It is noted that 2017/18 is the last year of the current risk sharing arrangements with any overspends on budgets being required to be met proportionately by Angus Council and NHS Tayside from 2018/19 onwards.

## Exhibit 3

### Financial Performance in 2017/18

IJB summary 2017/18	Original Budget £m	Additional Funding £m	Actual Outturn £m
<b>Net Expenditure</b>	<b>162.611</b>		<b>163.131</b>
Funding from NHS Tayside	119.466	0.900	120.366
Funding from Angus Council	43.145		43.145
<b>Total Funding</b>	<b>162.611</b>	<b>0.900</b>	<b>163.511</b>
<b>Surplus for 2017/18</b>			<b>0.380</b>
<b>Reserves</b>			<b>0.962</b>

Source: 2017/18 Angus IJB audited accounts.

## Budget Shortfalls

**35.** The IJB is required to make savings to address budget shortfalls and maintain financial balance. Progress against plans is regularly monitored and reported to the IJB. In 2017/18 the IJB needed to meet recurring budget shortfalls of £6.105 million, split as follows:

- **Angus Council** – Initial Shortfall £1.648 million - plans were identified to meet this shortfall.
- **NHS Tayside (excluding prescribing)** – Initial shortfall of £1.427 million - plans were identified to meet this shortfall and to deliver additional savings.

These include a range of initiatives that have delivered on a recurring and non-recurring basis.

- **Prescribing Costs** – Initial shortfall of £3.03 million – a range of initiatives have been implemented to address prescribing overspends; however, a combination of underlying increases in the cost base have resulted in an identified recurring budget shortfall of £3.224m at the year end.

**36.** Prescribing is the area of highest financial risk to the IJB and there is significant ongoing activity to manage prescribing costs across Angus. These actions include the review of prescribing practices and the production of a targeted action plan for each of the 16 Angus GP surgeries; changing the pathways of drug prescribing; increasing accountability and awareness of drug spend; and targeted drug switches.

## Financial planning

**37.** The IJB allocates the resources it receives from the health board and council in line with the Strategic Plan. Angus IJB continues to have to make savings to meet recurring shortfalls in budget planning. For 2018/19 a total of £7.125 million savings are required to achieve financial balance. The IJB has identified savings of £6.614 million to date:

- **Angus Council** – Initial shortfall £2.410 million - plans have been identified to meet this shortfall.
- **NHS Tayside (excluding prescribing)** – Initial shortfall £1.491 million - £2.748 million savings plans have been identified. This provides £1.257 million to support the overall IJB financial planning.
- **Prescribing Costs** – Initial shortfall £3.224 million - plans have been identified to meet £1.456 million of this shortfall.

**38.** These savings plans leave Angus IJB with a shortfall of £0.511 million savings still to be identified for 2018/19. There remains a risk that planned savings, especially those in relation to prescribing, may not materialise in the year.



### Recommendation 1

**The board should ensure that savings plans are developed to close the gap between target and identified savings. Prescribing expenditure should continue to be closely managed.**

## Reserves strategy

**39.** Angus IJB has an agreed reserves strategy and the current level of reserves, 0.6% of total spend, is well below the strategy's target level of 2%.

**40.** Angus IJB currently has no specific plans to use the reserves; they will be used to support the 2018/19 year end position, if required, in the first instance.

## Other matters

- **Workforce planning** – Angus IJB has noted in the Annual Performance Report that it faces the challenges of an ageing workforce; plans are currently being developed to address this. We understand that Internal Audit will review workforce planning as part of the 2018/19 IJB audit work.
- **EU withdrawal** – no specific work has been undertaken by the IJB on the impact of EU withdrawal.

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Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

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- Ending the public sector pay cap – Angus IJB has built pay inflation into the 2018/19 budgets; if pay inflation is above the levels planned for, the IJB will have to fund the additional cost pressure.

# Part 3

## Governance, transparency and value for money



### Main judgements

**The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.**



**The IJB conducts its business in an open and transparent manner, holding meetings in public and having meeting papers and governance documentation publicly available on its website.**

**The IJB has effective arrangements for scrutinising performance and monitoring progress towards its strategic priorities. The annual performance report now includes an assessment of how best value is being delivered, meeting the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.**

### Governance arrangements

- 41.** Angus IJB meets on a regular basis and is supported by an Audit Committee, which considers specific scrutiny arrangements, including both internal and external audit reports. Several groups also support the board: these cover areas such as strategic planning, staff governance and clinical and care governance.
- 42.** The board receives regular reports on all aspects of the performance of the board, this includes financial and operational reports as well as strategic planning. Integration Joint Board meetings are well attended and there is a good level of discussion and debate on all aspects of the IJB's performance. This includes financial monitoring: the latest finance position of the IJB is reported to each meeting.
- 43.** Membership of the Audit Committee has changed during 2017/18 due to the local government elections in May 2017 and the Committee Chair changed just after the year end, when an NHS Tayside Non-Executive Director's appointment term ended. The IJB should ensure that Audit Committee members are supported in their role through appropriate training and development activity, drawing on internal and external audit support as required. We note that all members are required to attend at least one development event a year.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.



### Recommendation 2

**The IJB should ensure that audit committee members are supported in their role through appropriate training and development activity.**

- 44.** The IJB Audit Committee, when approving the IJB Annual Governance Statement, sought assurances from the partner bodies on the system of internal control in operation during the year for systems relevant to the IJB. The council assurance was received following the 21 August 2018 Scrutiny and Audit Committee meeting. NHS Tayside did not send an assurance letter for 2017/18 to the IJB: as disclosed in the IJB Annual Governance Statement and the NHS

Tayside Annual Governance Statement, there were governance issues at the health board during 2017/18 and actions are being taken to address these issues.

**45.** We have taken assurance from the NHS Tayside external auditor's 2017/18 interim audit report and annual audit report in relation to the operation of internal controls at NHS Tayside during 2017/18. We have also received specific assurances from the NHS Tayside external auditor to support our audit opinion on the IJB annual accounts. We concluded that the nature of the NHS Tayside governance issues does not impact on the systems of internal financial control and we are satisfied with the relevant disclosure in the Angus IJB Annual Governance Statement.

## Transparency

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

**47.** We concluded that Angus IJB conducts its business in an open and transparent manner. Agenda papers, minutes and other IJB documents are publicly available on the website. All board meetings are held in public, with very few exempt papers discussed in private sessions. We have observed a good level of discussion at IJB meetings, with a wide range of staff contributing to reports that are presented to the board.

**48.** We note that the nature of the reports going to the board can mean that agenda papers are very long, which reduces the accessibility of the papers. Clear executive summaries highlighting the key actions, conclusions and recommendations are particularly important where agenda papers are very long or complex.



### Recommendation 3

**The IJB should ensure that cover papers include a clear executive summary of the key actions, conclusions and recommendations, especially where agenda papers are very long or complex, to increase accessibility to those without specialist knowledge.**

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## Internal audit

**49.** Internal audit provides the IJB Audit Committee, Board and Accountable Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

**50.** The internal audit function is carried out by Fife Tayside and Forth Valley (FTF) audit consortium. We carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

**51.** To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we did not place formal reliance on the work of Internal Audit as no audits were completed that were relevant to our audit of the financial statements. We consider all internal audit report findings as part of our wider dimension work.

**52.** Two of the 2017/18 internal audit assignments were not completed by June 2018. The Risk Management report was issued in draft in August 2018 and work completed to June 2018 informed the opinion in the 2017/18 Annual Internal Audit Report presented to the Audit Committee in June 2018. The Capacity assignment

plan was subject to amendment by IJB management in April 2018 affecting the completion date; a draft report was issued in August 2018.



#### Recommendation 4

**The IJB should ensure that the internal audit plan is delivered within the audit year.**

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

**53.** Angus IJB does not have any direct cash outflows as these transactions are handled by the partner organisations Angus Council and NHS Tayside. The IJB does have comprehensive policies in place that ensure that all members of the Board are aware of the standards of conduct that are expected of them; this includes completing registers of interests and declaring any interests at the start of meetings.

### Other governance arrangements

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

**55.** The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017. This requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate. The IJB has not undertaken a separate review: both partner bodies have carried out a review of their cyber security arrangements. The IJB should ensure that cyber security assurances are included in the standard governance assurances requested from the partner bodies.

**56.** The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. All EU member states must implement the Regulation in the same way. GDPR has introduced new and significantly changed data protection concepts. The IJB has worked through the impact of GDPR and has developed protocols for the sharing of data.

### Value for money and performance management

**57.** Best Value duties apply to accountable officers across the public sector. As part of this year's audit IJB auditors have looked at how the IJB demonstrates that it is meeting its BV duties. Angus IJB have demonstrated Best Value in the use of resources with regular financial and performance reporting to the board. The services that are provided on behalf of the IJB are subject to continuous review which ensures that they are being delivered in the most effective way.

**58.** To achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards its strategic objectives and holding partners to account.

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

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

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**60.** The IJB received quarterly performance reports in 2017/18. These reports are available on the IJB's website. The report content has evolved over the year, based on feedback from IJB members. The annual Strategic Performance and Progress Report was submitted to the IJB Board meeting on 27<sup>th</sup> June 2018. The report covers all the areas listed in paragraph 59.

**61.** The Strategic Plan identifies four strategic priorities that are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice. These are:

- Improving Health, Wellbeing and Independence
- Supporting care needs at home,
- Developing integrated and enhanced primary care and community responses,
- Improving integrated care pathways for priorities in care.

**62.** The performance report highlights that Angus IJB performs well nationally in relation to most national core indicators. It shows the progress the partnership has made in shifting the balance of care to more community based and responsive services and addressing the average length of stay in hospital following an emergency admission.

**63.** The staff sickness absence rate in Angus Council has been reported as an area of concern, with planned actions to address this. Sickness absence rates in NHS Tayside have reduced in recent years; successful actions taken there will be adapted for use in the council. The ageing workforce in both partner organisations is also highlighted as a key area that requires to be addressed. We note that workforce planning will be reviewed as part of the internal audit plan for 2018/19.



### Recommendation 5

**The IJB should review its workforce planning, including succession planning, to address the identified risks of an ageing workforce.**

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## National performance audit reports

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

**65.** The 2016/17 Annual Audit Report highlighted that the IJB did not have a system to consider the national reports that have been produced by Audit Scotland or any other national publications that may be relevant to the IJB. The Audit Committee now receives a report on a regular basis that highlights the reports that have been published and any issues that are relevant to the IJB, along with links to where the full reports can be found.



# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Efficiency savings</b></p> <p>For 2018/19 the board is required to deliver £7.125 million savings to achieve financial balance. The board has yet to identify £0.511 million of these savings. There is also a risk that some of the planned savings identified, especially in relation to prescribing, may not materialise.</p> <p><b>Risk</b></p> <p>The board may not be able to deliver the required savings in 2018/19.</p>	<p>The board should ensure that savings plans are developed to close the gap between target and identified savings. Prescribing expenditure should continue to be closely managed.</p> <p><a href="#">Paragraph 38</a></p>	<p>The IJB will continue to develop plans to address the 2018/19 and recurring financial planning gaps. Updates will be provided to the IJB Board regularly</p> <p>Chief Finance Officer October 2018</p>
2	<p><b>Audit Committee changes and development</b></p> <p>The membership of the Audit Committee has changed considerably over the past year. It is important that committee members are supported in their role, to assist them in exercising appropriate oversight and scrutiny.</p> <p><b>Risk</b></p> <p>Members may not feel confident in scrutinising financial statements or technical audit and accounting issues.</p>	<p>The IJB should ensure that audit committee members are supported in their role through appropriate training and development activity.</p> <p><a href="#">Paragraph 43</a></p>	<p>The IJB has a commitment to deliver at least annual training and development sessions for Audit Committee members.</p> <p>The IJB will also review the Audit Committee's Standing Orders for options to address the continuity of Audit Committee membership.</p> <p>Chief Finance Officer December 2018</p>
3	<p><b>Transparency in agenda papers</b></p> <p>Some IJB meeting agenda papers, by their nature, are long and complex. It is not always apparent from reading</p>	<p>The IJB should ensure that cover papers include a clear executive summary of the key actions, conclusions and recommendations, especially where agenda papers are very</p>	<p>The IJB will reflect this recommendation in future Board papers</p> <p>Chief Officer October 2018</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>the papers what the key actions for the IJB are.</p> <p><b>Risk</b></p> <p>Agenda papers may not be clear to members of the public who do not have in depth knowledge of the IJB's business.</p>	<p>long or complex, to increase accessibility.</p> <p><a href="#">Paragraph 48</a></p>	
<b>4</b>	<p><b>Internal Audit</b></p> <p>Two 2017/18 internal audit reviews were not completed in time for the June 2018 Audit Committee meeting when the Internal Audit Annual Report was presented.</p> <p><b>Risk</b></p> <p>The internal audit plan is not completed and the expected assurances cannot be given in the internal audit opinion on the system of internal control.</p>	<p>The IJB should ensure that the internal audit plan is delivered within the audit year.</p> <p><a href="#">Paragraph 52</a></p>	<p>The IJB will work with Internal Audit to ensure all final Internal Audit reports are submitted by the April Audit Committee in each audit year.</p> <p>Chief Finance Officer April 2019</p>
<b>5</b>	<p><b>Workforce planning</b></p> <p>IJB performance monitoring covers staff numbers and the age profile of the workforce. 54% of Angus Council staff and 46% of NHS Tayside staff are over the age of 50.</p> <p><b>Risk</b></p> <p>The sustainability of service delivery is at risk if appropriate succession planning is not in place.</p>	<p>The IJB should review its workforce planning, including succession planning, to address the identified risks of an ageing workforce.</p> <p><a href="#">Paragraph 63</a></p>	<p>The IJB is reviewing its Workforce Plan to ensure it adequately addresses staffing age profiles. Separately it is proposed that Workforce Planning will be the subject of an Internal Audit in 2018/19. A Workforce Planning report will be submitted to the IJB Board in 2018/19.</p> <p>Head of Service (with responsibility for IJB Workforce Planning) December 2018</p>

### Follow up of prior year recommendations

b/f	<p><b>1. Financial Management of Adult Services</b></p> <p>Internal audit identified a number of weaknesses in the provision of Financial Management support from Angus Council to the IJB for Adult Services. The overall audit opinion given for this audit was "Inadequate". These weaknesses affected the completeness, accuracy and usefulness of detailed budget</p>	<p>The internal audit plan has an action plan and the Chief Finance Officer should ensure, in conjunction with Angus Council, that actions are being progressed within Adult Services to ensure that the information required is available to the Board.</p>	<p><b>Updated audit response</b></p> <p>Internal audit followed up the Financial Management report's agreed improvement actions.</p> <p>The detail of reporting spend on Adult Services has improved in the year.</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>monitoring information at a level below that reported to the Board.</p> <p><b>Risk</b></p> <p>There is a risk that the IJB is not aware of the full budget position including activity for Adult Services which may impact on the ability to redesign services.</p>		
b/f	<p><b>2. Financial Planning</b></p> <p>Angus IJB has financial projections for 2017/18 but financial planning does not currently extend beyond one year.</p> <p><b>Risk</b></p> <p>The IJB does not have robust financial plans to support the delivery of its longer term objectives.</p>	<p>The IJB should develop a robust medium to long term financial planning framework to support delivery of its Strategic Plan.</p>	<p><b>Updated audit response</b></p> <p>The IJB has introduced a 3-year financial plan for 2018/19 to 2020/21, this was presented to the IJB in April 2018. Audit will continue to monitor the progress of the multi-year plan and the links to the IJB strategic plan.</p>
b/f	<p><b>3. Efficiency Savings</b></p> <p>It is reported that as at June 2017 the IJB still needs to agree a total of £0.317million of savings to break even. The majority of the savings required relate to services provided by Angus Council.</p> <p><b>Risk</b></p> <p>The developments within Angus Council relating to the Transforming Angus change programme may impact on the ability of Adult Services to deliver the required savings.</p>	<p>A plan needs to be agreed with Adult Services to identify savings that are required to enable the Board to break even in 2017/18.</p>	<p><b>Updated audit response</b></p> <p>The IJB concluded 2017/18 with a £0.38 million surplus on social care services provided by Angus Council. There are planned savings identified to cover the 2018/19 budget shortfall on services provided by the council.</p> <p>NHS prescribing costs continue to be a high financial risk (refer to Action Plan no.1).</p>
b/f	<p><b>4. Performance Report</b></p> <p>Whilst Angus IJB produced a performance report by the end of June 2017, the report does not include an assessment on Best Value in the provision of services. This is one of the prescribed areas that the report should cover.</p> <p><b>Risk</b></p>	<p>Angus IJB should reflect on how it will report on Best Value in the 2017/18 performance report.</p>	<p><b>Updated audit response</b></p> <p>The annual performance report has developed during the year, considering feedback from IJB members. The report now includes an assessment of how the IJB is providing Best Value in the provision of services.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The performance report does not meet the requirements of the Scottish Government.</p>		
b/f	<p><b>5. Framework for consideration of Audit Scotland national reports</b></p> <p>Audit Scotland produces a number of national reports that, whilst they do not relate specifically to the IJB, contain information that should be considered by the IJB.</p> <p><b>Risk</b></p> <p>The members of Angus IJB are not fully aware of emerging national issues in Health and Social Care that may impact on their ability to deliver services locally.</p>	<p>The Chief Finance Officer should develop a system to allow for the consideration of relevant national performance reports and to report the main findings to Angus IJB members as appropriate.</p>	<p><b>Updated audit response</b></p> <p>The audit committee now receives a report on a regular basis that highlights the reports that have been published and any issues that are relevant to the IJB along with links to where the full reports can be found.</p> <p>No further action required.</p>

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the Code of Audit Practice 2016.

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p>1 <b>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>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>Testing results were satisfactory: no errors or indications of management bias were found.</p> <p>The assurances obtained from the auditors of Angus Council and NHS Tayside did not identify any significant weaknesses that would affect the IJB financial statements.</p>
<p>2 <b>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>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>	<p>Auditor assurances were obtained and our audit testing results were satisfactory.</p> <p>We concluded that we could rely on the accuracy and completeness and appropriate allocation of the IJB ledger entries.</p>
<p>3 <b>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</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</p>	<p>Assurances have been received from the auditors of Angus council and NHS Tayside that the control systems do not have any material weakness that would impact on the preparation of the IJB accounts.</p> <p>The IJB's Annual Governance Statement reflects that weaknesses have been identified within NHS Tayside.</p> <p>The Annual Audit Report on NHS Tayside notes that the NHST Chief Executive states that he is not able to conclude that</p>

Audit risk	Assurance procedure	Results and conclusions
<p>Chief Finance Officer does not obtain adequate assurance that information received from each party is accurate and complete.</p>	<p>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>corporate governance was operating effectively in 2017/18.</p> <p>It is noted that no significant internal controls weaknesses have been flagged in NHST's governance statement or by Internal Audit in their Annual Report.</p> <p>There are no concerns on the systems that generate the final accounts within NHST this view is shared by the NHS Tayside auditors.</p>
<p><b>4 Financial Performance</b></p> <p>The latest financial monitoring report from October 2017 reported a projected outturn of £166.4m against a delegated budget of £163.8m, an overspend of £2.6m. The majority of the overspend relates to costs associated with prescribing.</p>	<p>Confirmation of agreement of funding and balances with host bodies.</p> <p>Ensure budget monitoring is robust and accurately reflects the financial position.</p>	<p>Funding from and balances with partner bodies have been agreed to audit evidence.</p> <p>Financial performance of the IJB is presented to each board meeting, this information has been reviewed and is accurately reflected in the annual accounts.</p>
<p><b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b></p>		
<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>A key element of this is the production of a long term (3-5 year) financial plan to ensure members of the board are aware of the cost pressures facing the IJB.</p>	<p>Review progress made on meeting savings targets and dealing with cost pressures.</p> <p>Reviewing the long term financial plan and the assumptions made to ensure that they are reasonable.</p> <p>Review how the IJB will deal with overspends once the two year cost sharing period as defined in the integration scheme ends.</p>	<p>Progress on identifying savings within the IJB is presented in the finance report to each board meeting; these have been reviewed and progress has been made on identifying recurring savings in the delivery of services.</p> <p>The long term financial plan has been discussed with the Chief Finance Officer and the assumptions used in its preparation have been reviewed and assessed as being reasonable.</p> <p>The IJB has set out how any overspends will be dealt with from 2018/19 onwards.</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</p> <p>The level and quality of the support has been highlighted as being essential to support</p>	<p>Monitor the IJB's management of this risk and the development of IJB financial reporting.</p> <p>Review Internal Audit's follow up findings on the Financial Management report.</p>	<p>Internal audit follow-up review has indicated that the finance support received from Angus Council has improved; this can be seen in the quality of the information being provided to the IJB on spend on adult services.</p> <p>The NHS Tayside Annual Audit Report has indicated that there is a risk that the finance staff may not be able to support the</p>











Audit risk	Assurance procedure	Results and conclusions
<p>reporting and decision making within the IJB.</p> <p>The IJB have highlighted the provision of financial support as being a key risk to the delivery of the IJB objectives.</p>		<p>required transformational programme and support the production of the accounts in 2018/19.</p> <p>We will continue to monitor the IJB's management of this risk area.</p>

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# Appendix 3

## Summary of national performance reports 2017/18



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

### Reports relevant to Integration Joint Boards

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

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



# ANGUS Integration Joint Board

## 2017/18 Annual Audit Report DRAFT

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