

Angus Integration Joint Board

2018/19 Annual Audit Report - DRAFT



 AUDIT SCOTLAND

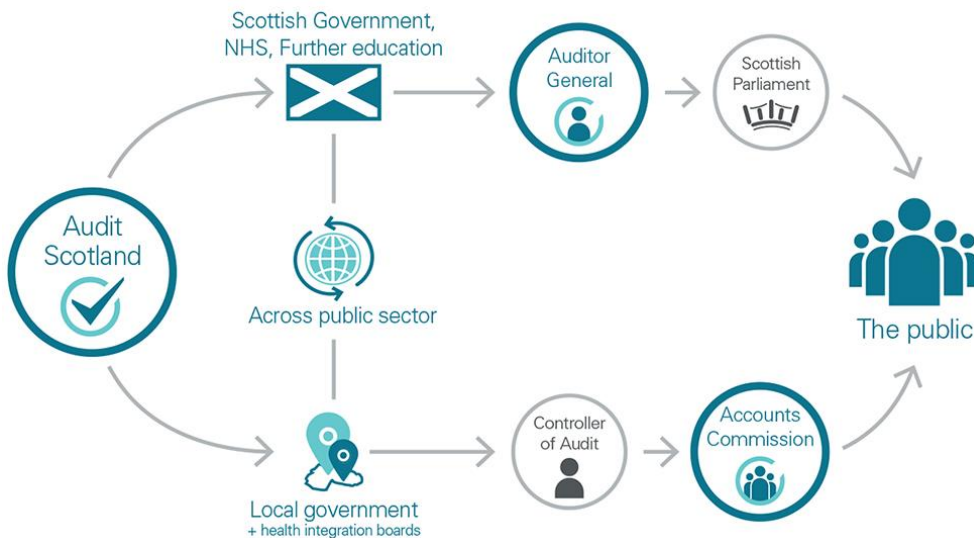
Prepared for Angus Integration Joint Board and the Controller of Audit

28 August 2019

Who we are

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

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



About us

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

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

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

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Key messages

2018/19 annual report and accounts

- 1 Angus Integration Joint Board's financial statements give a true and fair view and were properly prepared.
- 2 The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with proper accounting practices.

Financial management and sustainability

- 3 Angus Integration Joint Board has appropriate and effective financial planning arrangements in place. Whilst there are processes in place to provide timely and reliable information for monitoring financial performance, a significant gap arose at a key point in the year.
- 4 Angus Integration Joint Board concluded 2018/19 with a surplus of £5 million in 2018/19. This increased the IJB reserves to £6 million: £2.6 million is earmarked for specific uses in 2019/20; £3.4 million is being held as a general reserve in line with the reserves policy. Despite the surplus in 2018/19, the IJB's strategic financial plan identifies a financial shortfall in 2020/21 and 2021/22 and plans will need to be identified to address this.

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 Lack of capacity continues to limit progress on planned IJB governance developments.
- 7 Angus Integration Joint Board conducts its business in an open and transparent manner, with meetings held in public and meeting papers and governance documentation publicly available on its website.
- 8 Angus Integration Joint Board has effective arrangements for scrutinising performance and monitoring progress towards its strategic priorities.

Introduction

1. This report is a summary of our findings arising from the 2018/19 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 Audit Committee meeting on 12 December 2018. This report comprises the findings from our main elements of work in 2018/19 including:

- an audit of the IJB's 2018/19 annual accounts including issuing an independent auditor's report setting out my opinion
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1 Audit dimensions



Source: Code of Audit Practice 2016

Adding value through the audit

3. We add value to the IJB, through audit, by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides

- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

4. 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.

Responsibilities and reporting

5. 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. 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. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements,
- the financial position and arrangements for securing financial sustainability.

8. In doing this we aim to support improvement and accountability. 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. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

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 2018/19 audit fee of £25,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. 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 in due course.

13. 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 2018/19 annual accounts



Main judgements

Angus IJB'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 were consistent with the financial statements and prepared in accordance with applicable guidance.

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.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the Audit Committee on 28 August 2019. We reported within the independent auditor's report that:

- 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.

15. 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.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 28 June 2019 in line with our agreed audit timetable. Financial information was received by the IJB from its partner bodies in sufficient time to allow preparation of the annual accounts.

17. The working papers provided with the unaudited annual accounts were of a good standard and the Chief Finance Officer provided good support to the audit team which helped ensure the audit process ran smoothly.

Risks of material misstatement

18. [Appendix 2](#) provides a description of those assessed risks of material misstatement in the financial statements and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

19. We reported four risks of material misstatement in our 2018/19 Annual Audit Plan and three risks in relation to our work on wider dimensions. We have gained sufficient assurance to address the four risks of material misstatement. Two of the wider dimension risks in relation to financial sustainability and corporate support

capacity remain ongoing issues for Angus IJB and are therefore included in our action plan in [Appendix 1](#).

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 significantly different from planning materiality levels and did not require a change in our audit approach.

Exhibit 2 Materiality values

Materiality level	Planning	Revised
Overall materiality	£1.7 million	£1.6 million
Performance materiality	£1.2 million	£1.2 million
Reporting threshold	£17 thousand	£16 thousand

Source: Audit Scotland Annual Audit Plan 2018/19 and Angus IJB unaudited annual accounts 2018/19

Significant findings from the audit in accordance with ISA 260

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures. There are no unadjusted misstatements to draw to your attention. We have no significant findings to report around the qualitative aspects of the 2018/19 accounting practices.

How we evaluate misstatements

23. There were no material adjustments to the unaudited annual accounts arising from our audit.

Other findings

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

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).

Follow up of prior year recommendations

26. The IJB has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

The IJB has appropriate and effective financial planning arrangements in place. Whilst there are processes in place to provide timely and reliable information for monitoring financial performance, a significant gap arose at a key point in the year.



The IJB concluded 2018/19 with a surplus of £5 million. This increased the IJB reserves to £6 million: £2.6 million is earmarked for specific uses in 2019/20; £3.4 million is being held as a general reserve in line with the reserves policy. Despite the surplus in 2018/19, the IJB's strategic financial plan identifies a financial shortfall in 2020/21 and 2021/22 and plans will need to be identified to address this.

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

Financial management

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

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

28. Overall the financial management within the IJB is considered to be satisfactory, with appropriate monitoring reports being regularly submitted to the Board for scrutiny.

29. A finance report is usually presented to each Board meeting. However; there was a gap in financial reporting to the Board between February and June 2019, as the April 2019 meeting focussed on the Strategic Financial Plan 2019/20-2021/22 (approved at the meeting along with the Strategic Commissioning Plan 2019-2022). The £5 million year end surplus came as a surprise to IJB members at the June meeting, as the previous report, based on December 2018 data, forecast a much smaller underspend. This prompted discussion of the timing of the financial

information reported to members and an acknowledgement of the need for an April report (based on February financial data).



Recommendation 1

The IJB should receive a finance report at each meeting, to inform members of the most recent financial position.

Systems of internal control

30. Due to the nature of the IJB, it does not operate any key financial systems, such as payroll and ledger systems. Instead it relies on the systems used by its partner bodies. In accordance with ISA 402: Audit considerations relating to an entity using a service organisation, we sought assurances from the external auditor of NHS Tayside and Angus Council as part of our planned audit approach.

31. These assurances confirmed there were no significant weaknesses in the systems of internal controls for the health board or the council which would have an impact on the IJB.

Internal audit

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

33. The internal audit function is carried out by Fife Tayside and Forth Valley (FTF) audit consortium, with support from Angus Council's internal audit service. 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.

34. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2018/19 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.

35. Two of the 2018/19 internal audit assignments were not completed by June 2019, when the Internal Audit Annual Report was presented to the Audit Committee. GP Prescribing is due to be reported in August 2019, and the IJB agreed with Internal Audit that Risk Management will be reported in 2019/20 following further fieldwork due to the changes in risk management processes and ongoing work at the IJB and partner bodies.

36. It is important that planned Internal Audit work is completed by the end of the audit year so that the required assurance can be given in the Internal Audit opinion on IJB governance arrangements and the operation of systems of internal control during the year. We recognise that flexibility is important to enable internal audit to respond to new and evolving risks facing the IJB.



Recommendation 4 (from prior year)

The IJB should ensure that the internal audit plan is delivered within the audit year; any changes to the plan, to respond to evolving risks, should be agreed with the IJB.

Standards of conduct and arrangements for the prevention and detection of fraud and error

37. Angus IJB does not have any direct cash outflows as these transactions are handled by the partner bodies, 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.

Financial performance in 2018/19

38. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for the IJB is incurred by partners' bodies and processed in their accounting records. Adequate arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

39. 2018/19 year-end financial performance against budget is summarised in [Exhibit 3](#). The additional funding from NHS Tayside reflects changes during the year to NHS Tayside's funding allocation from the Scottish Government; funding relevant to IJB services was passed by NHS Tayside to the IJB. The IJB concluded 2018/19 with a surplus of £5 million. This was largely due to delivery of savings through the Angus Care Model, reduction of the prescribing overspend, receipt of non-recurring funding from NHS Tayside and an underspend of ring-fenced funding for specific services (which is now earmarked for use in 2019/20). Some late information also increased the forecast Adult Social Care, Community Health and Prescribing underspends.

40. Intensive work on prescribing reduced the forecast overspend from £1.8 million to a £1.1 million overspend but prescribing continues to be a significant financial risk for the IJB.

Exhibit 3 Performance against budget

IJB budget summary	Original budget £m	Additional/ (reduced) funding £m	Actual outturn £m
Net Expenditure	165.739		164.367
Funding from NHS Tayside	121.149	4.123	125.272
Funding from Angus Council	44.590	(0.441)	44.149
Total Funding	165.739	3.682	169.421
Surplus for 2018/19			5.054
General Reserve			3.400
Earmarked Reserves			2.616
Total Reserves			6.016

Source: Angus IJB 2018/19 finance reports and financial statements

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.

Financial planning and sustainability

41. The IJB's focus is on medium term financial planning (3 years) rather than long term planning; it faces challenges in maintaining financial sustainability over this timescale, as noted below.

42. 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 2019/20, in addition to the savings built into the budget, the IJB had planned to use £0.6 million of reserves to achieve financial balance; more recent 2019/20 projections suggest that this use of reserves may not be required.

43. The IJB's reserves increased to £6 million at 31 March 2019: £2.6 million in earmarked reserves for specific purposes and £3.4 million in a general reserve. The level of the general reserve is in line with the approved Reserve Strategy, which set a target of 2% of net expenditure, to act as a contingency fund.

44. Despite the surplus made in 2018/19, which has increased reserves, the Strategic Financial Plan 2019/20 to 2021/22 forecasts an annual financial shortfall of £1.6 million for 2020/21 and £6 million for 2021/22.



Recommendation 2

The IJB should ensure that detailed savings plans are developed to address the financial shortfall forecast for 2020/10 and 2021/21 in the Strategic Financial Plan.

45. We concluded that the IJB has appropriate and effective financial planning arrangements in place, but maintaining financial sustainability remains a significant challenge over the medium to longer term and the IJB must plan to address that risk.

EU Withdrawal

46. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce – the extent to which potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.
- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.
- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

47. EU withdrawal is on the IJB risk register as a key risk which has been monitored throughout 2018/19 and continues to be monitored in 2019/20. The IJB is linked with national, regional and local resilience groups established to assess risks, prepare business continuity plans, share information and cooperate in

mitigating risks. We concluded that the IJB has made reasonable preparations for the UK's withdrawal from the EU.

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.



Lack of capacity continues to limit progress on planned IJB governance developments.

The IJB conducts its business in an open and transparent manner, with meetings held in public and 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.

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.

Governance arrangements

48. 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.

49. 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.

50. We concluded that the IJB has appropriate governance arrangements that support the scrutiny of decisions by the board. We have one recommendation following our review of IJB governance documents:

51. The IJB's Standing Orders state that the remit of the Audit Committee includes scrutinising the annual accounts. The Board has not formally delegated authority to approve the annual accounts, although that is what happens in practice. This delegation of authority should be formally recorded.



Recommendation 3

The remit of the Audit Committee within the Standing Orders should be updated to specify the delegated authority to the Audit Committee to approve the annual accounts on behalf of the Board.

Capacity to support IJB developments

52. The IJB has identified and reported on a number of planned governance improvements over the past 3 years. As Internal Audit highlighted in their 2018/19 Annual Internal Audit Report, after 3 years of operation the IJB should be further developed in these areas. One of the main barriers in progressing planned governance improvements is lack of capacity, particularly while the IJB is also delivering a significant programme of change. Capacity is not the only barrier, as some of these issues are complex and require the agreement of other bodies. These issues include development of the Large Hospital Set Aside arrangements, increased corporate support from the partner bodies, and development of governance around Hosted Services. The IJB has also identified a resilience risk in its reliance on the Chief Finance Officer for financial monitoring, governance and reporting. We agree with Internal Audit's report on these matters. We also note that the IJB's action plan in response to the Ministerial Strategic Group's "Review of Progress with Integration of Health and Social Care" Report will cover these areas.



Recommendation 4

The IJB should work with partner bodies to secure adequate capacity to deliver improvements.

Openness and transparency

53. 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.

54. There is evidence from a number of sources which demonstrate the IJB's commitment to transparency including the fact that, to date, all meetings have been held in public and, as far as is appropriate, all items on the agendas have been discussed in open session.

55. In addition, full details of the meetings held by the IJB are available through Angus Council's website, where access is given to committee papers and minutes of meetings.

56. Overall, we have concluded that the IJB conducts its business in an open and transparent manner that is appropriate for a public sector body.

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

Value for money

57. To achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account. Our audit covers the four audit dimensions, as set out in [Exhibit 1](#), which are key components of securing best value in the provision of services and the use of resources.

Best value

58. Integration Joint Boards have a statutory duty to make arrangements to secure best value. As stated in the Annual Performance Report 2018/19, the IJB has a significant programme of change under way. This includes completion of the Help to Live at Home Programme in 2018/19, delivery of aspects of the Angus Care Model in 2018/19, the work to manage prescribing costs and the work undertaken within the Improvement and Change programme. "This scale of change means that the vast majority of the IJB's resources and services are subject to some form

of service review and continuous improvement and consequently this assists the IJB demonstrate that it is, at all times, seeking to secure best value from the resources available.”

59. We concluded that the IJB’s approach to demonstrating best value is appropriate.

Performance management

60. 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 the strategic commissioning plan.

61. The IJB board receives performance reports on a six-monthly basis. The Annual Performance Report 2018/19, which covers the requirements of the 2014 Act, was submitted to the IJB Board meeting in June 2019. It highlighted that Angus performs well nationally in relation to eight of ten national quantitative core indicators, particularly the proportion of the last 6 months of life spent at home or in a community setting, and the number of days people spend in hospital when they are ready to be discharged. The performance report also included local indicators developed to show progress and performance in relation to the IJB’s four strategic priorities, and example “stories” demonstrating the impact of IJB services.

62. The IJB’s performance has fallen in relation to two of the national quantitative core indicators: falls admissions and the percentage of adults with intensive care needs receiving care at home. The IJB discussed these areas at length in its June 2019 meeting and agreed to a full review of all information in relation to falls, to understand why the Angus performance has declined while Scotland as a whole continues to improve.

63. The Strategic Plan 2016-2019 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.

64. Some examples of where the IJB has made positive progress against these priorities in 2018/19 are:

- innovative work carried out in Letham Health and Wellbeing Centre was shortlisted in the “Innovative Remote and Rural Services” category of the Annual Scottish Digital Health and Care Awards;
- continued progress with the delivery of the Angus Care Model, supporting people in communities, meant that the IJB was able to cease Inpatient Services in Montrose Royal Infirmary, where there had been empty hospital beds;
- the IJB can demonstrate that people are moving into care homes later in life for shorter periods of time and with a higher level of need;
- the IJB introduced ‘Just Checking’, a digital monitoring system, to support the assessment of people who may need support with personal care;

- the IJB introduced a 'Check Tech Out' Scheme to support people to learn about digital technology before purchasing their own equipment.

65. We concluded that the IJB has effective arrangements for managing performance and monitoring progress towards its strategic objectives.

66. The Strategic Commissioning Plan 2019-2022 was approved in April 2019. The IJB is currently developing new Locality Improvement Plans to support the delivery of the new Strategic Commissioning Plan.

National performance audit reports

67. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19 we published some reports which are of direct interest to the board as outlined in [Appendix 3](#).

68. Audit Scotland's second audit of health and social care integration, published in November 2018, provided an update on the risks identified in the first report in December 2015 and set out the following features which need to be present to support effective integration.

- collaborative leadership and building relationships
- integrated finances
- strategic planning for improvement
- agreed governance and accountability arrangements
- sharing information
- engagement

69. The Audit Committee receives a report on a regular basis that highlights the national 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.

70. Over the last year, the Ministerial Strategic Group (MSG) has also completed a review of integration. It reported in February 2019 and used the features from Audit Scotland's report as a framework for making a range of recommendations.

71. The IJB completed a self-assessment against the MSG recommendations, which was reported to the Audit Committee in June 2019. The IJB's action plan is due to be reported to the Board meeting in August 2019.

Good practice

72. The IJB's Strategic Commissioning Plan 2019-2022 is supported by a Market Facilitation Statement. During 2018/19, the IJB continued to review its market facilitation plan, which is "intended to describe future care needs of the Angus population and thereby help support and shape the market to meet those needs". The IJB recognises the role of the private and third sectors in building a resilient market of care providers: 2018/19 work included delivering further phases of the "Help to Live at Home" programme by implementing new procurement arrangements including extending the use of the "fair cost of care", introducing apprenticeships in care roles to address workforce issues, a review of care home provision, a review of day care provision, a review of supported accommodation and providing support to the third and independent sectors to stabilise that element of provision.

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial reporting</p> <p>There was a gap in financial reporting to the Board between February 2019 and June 2019, as the April 2019 meeting focussed on the Strategic Financial Plan 2019/20-2021/22 (approved at the meeting along with the Strategic Commissioning Plan 2019-2022). The £5 million year end surplus came as a surprise to IJB members at the June meeting.</p> <p>Risk – IJB members are not sighted on the current financial position.</p>	<p>The IJB should receive a finance report at each meeting, to inform members of the most recent financial position.</p> <p>Paragraph 29</p>	<p>The IJB noted this issue at the June 2019 IJB Board meeting and Chief Finance Officer confirmed finance reports will be provided to all meetings in future.</p> <p>Chief Finance Office</p> <p>August 2019</p>
2	<p>Financial sustainability</p> <p>The Strategic Financial Plan 2019/20-2021/22 forecasts an annual financial shortfall of £6 million by 2021/22. The IJB does not currently have detailed savings plans to address this shortfall. Under the Integration Scheme, IJB overspends must be met by the partner bodies, but these organisations also face considerable financial pressures.</p> <p>Risk - The IJB's operating model is not financially sustainable.</p>	<p>The IJB should ensure that detailed saving plans are developed to address the financial shortfall identified in the Strategic Financial Plan.</p> <p>Paragraph 44</p>	<p>The IJB accepts this and will continue to develop savings plans to close out the financial gap, continue to review ways of containing demand and will continue dialogue with Partners and the Scottish Government to clarify future funding.</p> <p>Chief Officer/ Chief Finance Officer</p> <p>March 2020</p>
3	<p>Delegated authority in the Standing Orders</p> <p>The IJB's Standing Orders state that the remit of the Audit Committee includes scrutinising the annual accounts. The Board has not formally delegated authority to approve the annual accounts,</p>	<p>The remit of the Audit Committee within the Standing Orders should be updated to specify the delegated authority to the Audit Committee to approve the annual accounts on behalf of the Board.</p> <p>Paragraph 51</p>	<p>The IJB accepts this and will, as a minimum, review its standing orders to reflect the practice that has been in place since 2016/17.</p> <p>Chief Finance Officer</p> <p>December 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>although that is what happens in practice.</p> <p>Risk – the Standing Orders do not delegate responsibility for approving the accounts and so the IJB does not comply with its Standing Orders.</p>		
4	<p>Capacity restricting improvements</p> <p>The IJB has identified and reported on a number of planned governance improvements over the past 3 years. One of the main barriers in progressing planned improvements is lack of capacity, particularly corporate support from the partner bodies.</p> <p>Risk – the IJB is unable to implement planned improvements; over time, this will impede the IJB's effectiveness and cause reputational damage to the IJB if it does not deliver on its commitment to develop these areas.</p>	<p>The IJB should work with partner bodies to secure adequate capacity to deliver improvements.</p> <p>Paragraph 52</p>	<p>The IJB accepts this and will continue to engage with partner bodies to secure adequate capacity.</p> <p>Chief Officer</p> <p>December 2019</p>

Follow up of prior year recommendations

PY 1	<p>Efficiency savings</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>Risk</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>The IJB concluded 2018/19 with a £5 million surplus, mainly due to delivery of savings through the Angus Care Model, reduction of the prescribing overspend, receipt of non-recurring funding from NHS Tayside and an underspend on ring fenced funding for specific services.</p> <p>Intensive management of prescribing reduced the forecast overspend to a £1.1 million overspend but prescribing continues to be a significant financial risk for the IJB.</p> <p>Refer to financial sustainability risk (Action Plan No. 2) above.</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
PY 2	<p>Audit Committee changes and development</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>Risk</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>The Audit Committee had a development session in October 2018, attended by internal audit and external audit.</p> <p>There have been further changes to the membership of the audit committee; the IJB is conscious of the need to support committee members. The opportunity to request training has been emphasised to committee members at meetings, and a 2019 development session is to be scheduled.</p> <p>No further audit action required.</p>
PY 3	<p>Transparency in agenda papers</p> <p>Some IJB meeting agenda papers, by their nature, are long and complex. It is not always apparent from reading the papers what the key actions for the IJB are.</p> <p>Risk</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>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.</p>	<p>Agenda papers have been clear in summarising the actions required by the IJB.</p> <p>No further audit action required.</p>
PY 4	<p>Internal Audit</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>Risk</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; any changes to the plan, to respond to evolving risks, should be agreed with the IJB.</p>	<p>Two 2018/19 internal audit reviews were not completed in time for the June 2019 Audit Committee meeting when the Internal Audit Annual Report was presented. GP Prescribing is due to be reported in August 2019; Risk Management will be reported in 2019/20 following further fieldwork, due to the changes in risk management processes and ongoing work at the IJB and partner bodies.</p> <p>Internal Audit assurances were provided on the system of internal control in operation during 2018/19.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			<p>Revised action:</p> <p>The IJB has approved its 2019/20 Internal Audit plan in June 2019 to assist the early progress of Internal Audit reviews. The IJB will monitor progress with Internal Audit reviews through the year.</p> <p>Chief Finance Officer</p> <p>December 2019</p>
PY 5	<p>Workforce planning</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>Risk</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>Internal audit carried out a Workforce Optimisation review in 2018/19, which concluded:</p> <p>“There is a workforce plan in place which aligns with existing partner strategies and other IJB plans, however, improvements to monitoring and implementation of the plan are required to enhance the adequacy/effectiveness of risk management, control and governance.”</p> <p>An update provided to the April 2019 Audit Committee showed that a number of actions had already been completed, whilst some had longer timelines reflecting the fact that they are out with the direct control of the IJB.</p> <p>The IJB agreed to direct additional resources to address Workforce Planning issues and now has improvement resources allocated to this for 1.5 days per week.</p> <p>The challenge of an ageing workforce is acknowledged in the IJB’s workforce planning but is still to be resolved.</p> <p>We will monitor the IJB’s progress in implementing the IA recommendations (which is reported to the Audit Committee).</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 report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
1 Management override of controls (example) 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 to change the position disclosed in the financial statements.	Detailed testing of accounting entries. Service auditor assurances will be obtained from the auditors of Angus Council and NHS Tayside over the completeness, accuracy and allocation of the income and expenditure.	Testing results were satisfactory: no errors or indications of management bias were found. 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.
2 Risk of fraud over expenditure 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.	Obtain service auditor assurances from the auditors of Angus Council and NHS Tayside over the accuracy and completeness and appropriate allocation of the IJB ledger entries. Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.	Auditor assurances were obtained, and our audit testing results were satisfactory. We concluded that we could rely on the accuracy and completeness and appropriate allocation of the IJB ledger entries.
3 Financial statements preparation 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	Review of the governance statement to ensure it adequately reflects the position of the IJB and compliance with the Code. Confirm appropriate action is taken on issues raised in internal audit reports. Confirm that financial reporting throughout the year is accurately reflected in the year end position. Carry out audit testing to confirm the accuracy and	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. The Annual Governance Statement has been audited and supporting assurances obtained and reviewed. 2018/19 finance reports have been reviewed and the year end position is reflected accurately.

Audit risk	Assurance procedure	Results and conclusions
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.	correct allocation of IJB transactions, and that they are recorded in the correct financial year. Obtain formal assurances from the auditors of Angus Council and NHS Tayside.	
4 Financial Performance The latest financial monitoring report from October 2018 reported a projected outturn of £165.8 million against a delegated budget of £166.2 million, a slight underspend of £0.4 million. However; there is a recurring overspend in relation to prescribing costs (£1.9 million reported in October (improved from £3.3 million at March 2018) and this continues to challenge the financial position of the IJB.	Confirmation of agreement of funding and balances with host bodies. Ensure budget monitoring is robust and accurately reflects the financial position.	Funding and balances with partner bodies have been confirmed. 2018/19 finance reports have been reviewed and the financial position is reflected accurately. We have recommended that a finance report is taken to each IJB meeting as the year end surplus reported in June 2019 was significantly different to the previous finance report in February 2019. (Finance reporting at the April meeting focussed on the Strategic Financial Plan.) Refer Appendix 1, Action Plan no. 1.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

5 Financial sustainability NHS Tayside and Angus Council face significant financial pressures from funding reductions and increasing demand. 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. A key element of this is the long term (3-5 year) financial plan to ensure members of the board are aware of the cost pressures facing the IJB.	Review progress made on meeting savings targets and dealing with cost pressures. Reviewing the long term financial plan and the assumptions made to ensure that they are reasonable.	The Strategic Financial Plan 2019/20-2021/22 was approved in April 2019. Despite the £5 million surplus made in 2018/19, which has increased reserves to £6 million, the Strategic Financial Plan 2019/20 to 2021/22 forecasts an annual financial shortfall of £6 million by 2021/22. Refer Appendix 1, Action Plan no.2 above.
6 Governance: Corporate Support Services Corporate support services are provided to the IJB by both Angus Council and NHS Tayside The level and quality of the support has been highlighted as being essential to support	Monitor the IJB's management of this risk and the development of IJB governance and financial reporting.	This is a continuing risk: The Annual Governance Statement and Internal Audit's annual report both highlight that lack of capacity is hampering progress in implementing planned governance improvements, although it is not the only limiting factor, as the main issues are complex and require multi-agency agreement.

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>Refer Appendix 1, Action plan no.4 above.</p>
<p>7 Partnership working and strategic planning</p> <p>The IJB is currently drafting its new Strategic Plan 2019-22. The IJB and its partner bodies need to work together to create a strategic plan with clearly stated priorities, with robust, sustainable financial plans, to deliver improved outcomes.</p>	<p>Review progress in strategic planning and partnership working to deliver change.</p>	<p>The IJB's Strategic Commissioning Plan 2019-2022, the accompanying Market Facilitation Statement, Housing Contribution Statement and the Strategic Financial Plan 2019/20-2021/22 were approved at the April 2019 IJB meeting.</p> <p>The Strategic Commissioning Plan sets out the IJB's priorities for the next 3 years, but the Strategic Financial Plan forecasts a financial shortfall in the resources required to deliver the IJB's priorities in the 2nd and 3rd years of the plan. Refer Appendix 1, Action plan no.1 above.</p>

Appendix 3

Summary of national performance reports 2018/19

 2018/19 Reports		
Local government in Scotland: Challenges and performance 2018		Apr
Councils' use of arm's-length organisations		May
Scotland's colleges 2018		Jun
		Jul
		
Forth Replacement Crossing		Aug
		
Children and young people's mental health		Sept
		
NHS in Scotland 2018		Oct
Health and social care integration: update on progress		Nov
		
		Dec
		Jan
		Feb
		Mar
		Local government in Scotland: Challenges and performance 2019

Reports relevant to Integration Joint Boards

[Local government in Scotland: Challenges and performance 2018](#) – April 2018

[Councils' use of arm's-length organisations](#) – May 2018

[Children and young people's mental health](#) – September 2018

[NHS in Scotland 2018](#) – October 2018

[Health and social care integration: update on progress](#) – November 2018

[Local government in Scotland: Financial overview 2017/18](#) – November 2018

[Local government in Scotland: Challenges and performance 2019](#) – March 2019

Angus Integration Joint Board

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