

# West Lothian Integration Joint Board

2015/16 Annual Audit  
Report for members of  
West Lothian Integration  
Joint Board and the  
Controller of Audit

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David McConnell, Assistant Director, Audit Scotland is the engagement lead of West Lothian Integration Joint Board for the 2015/16 year .

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

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# Key messages

## Audit of financial statements

- We have completed our audit of the Integration Joint Board (IJB) and issued an unqualified independent auditor's report on the 2015/16 financial statements.

## Financial management & sustainability

- Overall, the Board has satisfactory financial management arrangements in place and the financial position is sustainable.
- Regular budgetary control reports are provided to the Board and to the partner bodies NHS Lothian and West Lothian Council.
- The timetable for confirmation of NHS budgets by the Scottish Government means that the Board had to set its 2016/17 budget in advance of confirmation of the health board's settlement. Any significant change to this could impact the level of service provided by the Board

## Governance & transparency

- We obtained audit assurance over the accuracy and completeness of financial transactions processed by the partner bodies.
- There is an IJB Chief internal auditor in place and Internal audit services provided to the Board comply with Public Internal Audit Standards.

## Best Value

- The Board is fully committed to the integration agenda and has made good progress to date.
- The strategic plan outlines the partnership's aims, visions and priorities for the next three years. This is reviewed annually.
- Key outcomes for the Board have been agreed.

## Outlook

- The integration joint board will continue to operate in a period of austerity with reduced funding in real terms, increasing cost pressures and a growing demand for services. All integration authorities need to continue to shift resources, including the workforce, towards a more preventative and community based approach.
- It is important that the Board can demonstrate that these changes, which may take several years to fully evolve, is making a positive impact on service users and improving outcomes.

# Introduction

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

# Audit of the 2015/16 financial statements

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

## Submission of financial statements for audit

10. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the Board are prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
11. NHS Lothian is required to submit audited accounts by 30 June each year. The IJB had satisfactory arrangements in place to ensure that information required by its stakeholder bodies was received by specified dates to enable incorporation into the group accounts of the stakeholder bodies. This included details of balances held at the year-end, the transactions in the year and other information including assurances needed for the governance statement.
12. We received the unaudited financial statements of the Board on 28 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and finance staff provided good support to the audit team which assisted the delivery of the audit by the deadline.

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

13. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were

outlined in our Annual Audit Plan presented to the Board on 23 March 2016.

14. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
15. The concept of audit risk is central to our audit approach. We focus on those areas that are most at risk of causing material misstatement in the financial statements. In addition, we consider what risks are present in respect of our wider responsibility, as public sector auditors, under Audit Scotland's Code of Audit Practice.
16. During the planning phase of our audit we identified a number of risks and reported these to you in our Annual Audit Plan along with the work we proposed doing in order to obtain appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified and how we addressed each risk.
17. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

18. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. We summarised our approach to materiality in our Annual Audit Plan. The West Lothian IJB was legally established on 21 September 2015. As the IJB did not become fully operational until 1 April 2016, the initial decision on the appropriate level of materiality was deferred until the receipt of the unaudited accounts. Based on our knowledge and understanding of West Lothian IJB, materiality has been set at £140 (or 1% of gross expenditure).

## Evaluation of misstatements

21. The audit identified some presentational and monetary adjustments which were discussed and agreed with management.

## Significant findings from the audit

22. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
  - Significant difficulties encountered during the audit.
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
  - Written representations requested by the auditor.
  - Other matters which in the auditor's professional judgment are significant to the oversight of the financial reporting process.
23. There are no findings from our financial statements audit that we consider need to be brought to your attention.
24. There are no issues or other audit judgements that, in our view require to be communicated to those charged with governance in accordance with ISA 260.

## Future accounting and auditing developments

### Audit appointment from 2016/17

25. The Accounts Commission is responsible for the appointment of external auditors to integration joint boards. Paragraph 1 of this report refers to Audit Scotland's one year appointment as the auditor of West Lothian Integration Joint Board in 2015/16. This was restricted to one year to reflect the final year of our five year appointment as auditors of NHS Lothian and West Lothian Council. External auditors are appointed for a five year term either from Audit Scotland's Audit Services Group or private firms of accountants.
26. The procurement process for the new round of audit appointments was completed in March 2016. Your new appointed auditor will be Ernst & Young.

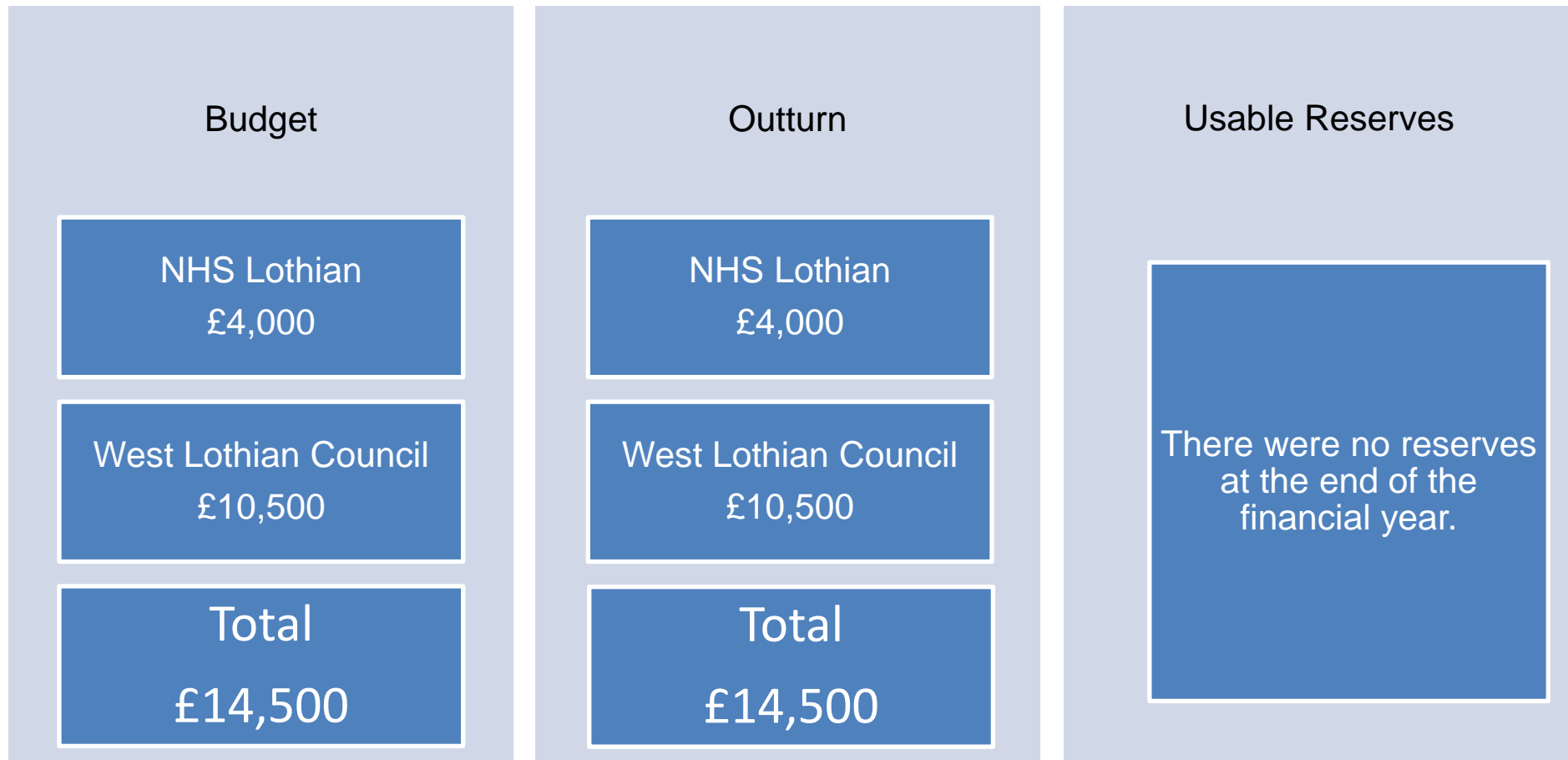
### Code of Audit Practice

27. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It outlines the objectives and principles to be followed by auditors.

28. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all Annual Audit Reports, Annual Audit Plans and other significant audit outputs will be put on the website for all audited bodies. This is irrespective of whether the body meets in public or makes documents.



# Financial management and sustainability



## Financial management

29. In this section we comment on the West Lothian Independent Joint Board financial performance and assess the Board's financial management arrangements.
30. The Board does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure relating to services managed by the Board are incurred by the stakeholder parties and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the Board.
31. The integration scheme between NHS Lothian and West Lothian Council sets out the amount to be paid by the parties to West Lothian Integration Joint Board in respect of all of the functions delegated by them to the Board.
32. Legislation empowers the Board to hold reserves. The integration scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that underspends in an element of the operational budget arising from specific management action may be retained by the IJB to either fund additional in year capacity, or be carried forward to fund capacity in future years of the Strategic Plan. Alternatively, these can be returned to the partner bodies.

33. Where there is a forecast overspend the partner bodies must agree a recovery plan to balance the budget.

## Financial performance 2015/16

34. The IJB set a breakeven budget for 2015/16. This was based on expenditure of £14,500 with £4,000 contributed by NHS Lothian and £10,500 from West Lothian Council. The IJB recorded a breakeven position at the end of March 2016.

## Financial management arrangements

35. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
  - the Chief Financial Officer has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the Board
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - Board members provide a good level of challenge and question budget holders on significant variances.
36. While an interim Chief Officer was in post during the year, the Standards Officer, Chief Finance Officer and Internal Auditor were not appointed until February 2016. In our Annual Audit Plan, we

identified that the late appointment of key personnel would adversely impact upon the arrangements for the preparation of the financial statements and the adoption of key policies and regulations. However, the IJB submitted its unaudited accounts in line with the agreed timetable and our audit work has not highlighted any further issues in this area.

37. We reviewed the standing financial instructions and standing orders, which were created on the formation of the IJB. These were approved by the Board and we consider these to be comprehensive.
38. Financial monitoring of the partnership budget is reported in an agreed format to the Board. Finance reports relating to the IJB's financial assurance have been reported externally to NHS Lothian and West Lothian Council. Quarterly updates on IJB 2016/17 financial performance as well as other relevant IJB finance related reports will be presented to the Council and NHS Lothian.
39. As auditors we attend a number of Board meetings. Board members provide a good level of challenge and question budget holders on significant variances and service performance issues.

## Conclusion on financial management

40. We have concluded that the Board has satisfactory financial management arrangements. These support the review and scrutiny of financial performance, the achievement of financial targets, and awareness of any potential overspends.

## Financial sustainability

41. Financial sustainability means that the Board has the capacity to meet its current and future plans. In assessing financial sustainability we are concerned with whether:
  - spending is being balanced with income in the short term
  - long-term financial pressures are understood and planned for.

## Financial planning

42. A budget of £207 million has been proposed for 2016/17 as set out in table 1.
43. Delays to the agreement of the Scottish Government's financial plans meant that the IJB budget for 2016/17 was not formally set at the beginning of the financial year. The council budget was set on 23 February 2016. This provided confirmation around the council element of the Partnership funding for 2016/17. The health board budget plans were agreed internally and submitted to the Scottish Government on 31 May 2016 as part of their Local Delivery Plan.
44. During the intervening period the Board set an interim working budget in March, based on assumed funding from the Health Board. In August 2016, the IJB agreed that revised directions on IJB functions and resources would be issued to NHS Lothian based on the budget plans contained in the submitted Local Delivery Plan.

45. This meant that for the first few months of 2016/17 the Board were pursuing its strategic plan activities but were unable to carry out the planned due diligence on its 2016/17 budget. There was therefore uncertainty during this period regarding the extent to which the Board could develop and implement its strategic plan objectives.

recurring funding has been made to NHS Lothian, however the distribution of this funding is still to be determined.

47. Although the extent of the funding gap has significantly reduced over recent months, there is still a risk to the Board of NHS Lothian not having a balanced budget position. Planned efficiencies may not be delivered and additional savings may not be identified to bridge the current funding gap.

**Action point 1**

**Table 1: WLIJB Indicative budget 2016/17**

	Base budget (£million)
West Lothian Council	66.685
Core West Lothian Health Services	92.070
Share of Pan Lothian Hosted Services	17.577
<b>Sub-total</b>	<b>176.332</b>
NHS Lothian set aside	30.939
<b>Total</b>	<b>207.271</b>

Source: IJB Board papers August 2016

46. The NHS Lothian element of partnership funding for 2016/17 is based the financial plan submitted to the Scottish Government which was out of financial balance by over £20 million, with the IJB's share of this gap being £1.249 million which reflects an improvement compared to the equivalent gap of £2.519 million reported to the Board on 31 March 2016. Subsequently, £6m of

## Conclusion on financial sustainability

48. While there were well documented reasons why the Board required to set an interim working budget for 2016/17, there are risks to service delivery when operating without an agreed budget.
49. Overall we conclude that the Partnership's financial position is sustainable currently and in the foreseeable future. Adequate financial planning arrangements are in place and we have also relied on West Lothian Council and NHS Lothian's track record of delivering efficiency savings.

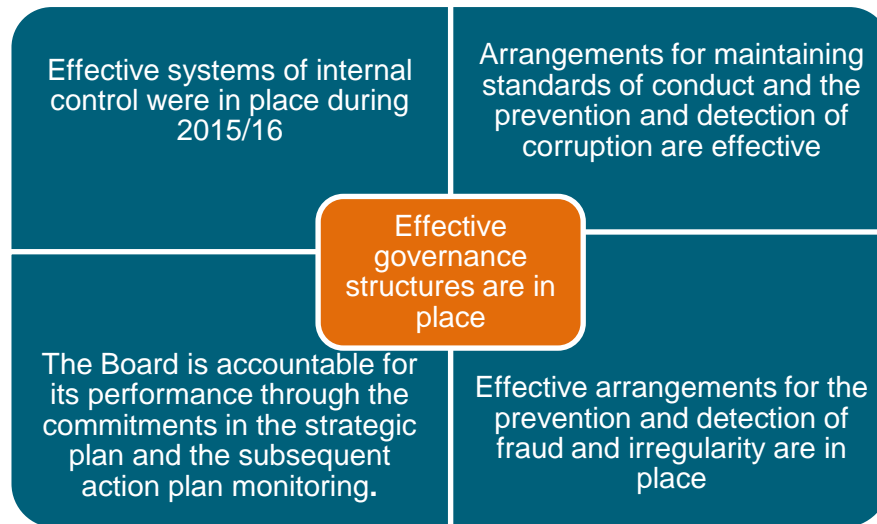
## Outlook

50. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed

significant pressure on health and social care budgets. This puts further pressure on finances.

51. Strategic plans, while setting out the broad direction, will need to be clear regarding the Board's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.
52. The Board has set a balanced budget for 2016/17 and an indicative balanced budget for the following two years, This is dependent on achieving efficiency savings each year to bridge the gap between available funding from current sources and the cost of services.
53. A Strategic planning committee comprising officers, service users and service providers has been set up. This is overseeing the projects designed to deliver an effective shift in service delivery models and resources. The Board will need to demonstrate how it intends to achieve these efficiencies.

# Governance and transparency



54. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with board members drawn from a wide range of backgrounds.
55. The integration scheme between West Lothian Council and NHS Lothian sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.

56. The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of West Lothian Integration Joint Board and for monitoring the adequacy of these arrangements.
57. The Board comprises a wide range of service users and partners including four elected councillors nominated by West Lothian Council and four non-executive directors nominated by NHS Lothian.
58. The Board is supported by a Chief Officer who provides overall strategic and operational advice to the Integration Joint Board, and is directly accountable to the Board for all of its responsibilities. The Chief Officer is also accountable to both the Chief Executive of West Lothian Council and the Chief Executive of NHS Lothian. The Chief Officer also provides regular reports to both the Council and the NHS Board.
59. The Board is responsible for the management and delivery of health and social care services in West Lothian, and is supported by the Audit, Risk and Governance Committee and the West Lothian Integration Strategic Planning Group.
60. The Operational structure is divided into three services: Adult social care services, Primary care and community health services, Some hospital services.
61. The Board met on a regular basis throughout the year as did the Strategic planning Group. The Audit, Risk and Governance Committee is working towards a quarterly cycle of meetings. We

review Board minutes and Audit and Governance Committee minutes to ensure they are fulfilling their responsibilities. We also periodically attend Board meetings to observe how it operates.

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

## Internal control

63. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
64. West Lothian Council and NHS Lothian are the partner bodies. All financial transactions of the Board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny of the council and health board, including the work performed by internal audit.
65. We sought and obtained assurances from the external auditor of the council and health board regarding the systems of internal control used to produce the transactions and balances recorded in the Board's annual accounts.

66. We also reviewed the Board's budget setting and financial monitoring arrangements. Overall, we consider the systems of internal control to be effective.

## Internal audit

67. Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. Internal audit services are provided to the Board by the the IJB's Chief internal auditor and the internal audit plan for 2016/17 has been approved by the Board.
68. The IJB's Chief internal auditor is also the Audit, Risk and Counterfraud manager for the Council. We carried out a review of the adequacy of the internal audit functions at the Council and concluded that internal audit operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

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

69. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the Board does not directly employ staff, it has been agreed that investigations will be carried out by the internal audit service of the partner body where the fraud or irregularity originated. If this relates to NHS Lothian, there

are arrangements in place to use the Counter Fraud Services. The Board recognises that, as partnership services become more integrated, the investigations will need to take up a more joined up approach.

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

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

71. The integration joint board requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies. A register of members' interests is in place for Board Members and senior officers.
72. Based on our review of the evidence we concluded that the Board has effective arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

## Transparency

73. Local residents should be able to hold the Board to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.

74. The Integration Joint Board's purpose and vision are outlined in its Strategic Plan 2016-26. This shows what success would look like and sets out the Board's priorities for the next 10 years. In doing so, it takes account of the priorities outlined in the 2020 Vision for Health and Social Care.

75. The Strategic Plan incorporates an action plan for 2016/2019. This sets out the actions that the partnership will take and provides a basis for measuring how well they are doing and whether they are achieving the Board's priorities and the national outcomes. The action plan is set for a three year period and is reviewed annually.

76. In addition to West Lothian Council and NHS Lothian representation, the Board includes a number of representatives from health and social care professionals, including GPs, employees, unpaid carers, service users, and the third sector.

77. Members of the public can attend meetings of the Board. A significant amount of the Board's business is transacted through the Audit Risk and Governance Committee and the West Lothian Integration Strategic Planning Group. Minutes and related papers for the Board are available on the council or health board websites and on the West Lothian CHCP website. The Board should consider enhancing transparency by publishing papers submitted to standing committees and groups. Where papers include confidential information these can be withdrawn or redacted as appropriate.



78. Overall we concluded that the Board is open and transparent although we believe that there are some areas where the Board could make improvements to the current arrangements.

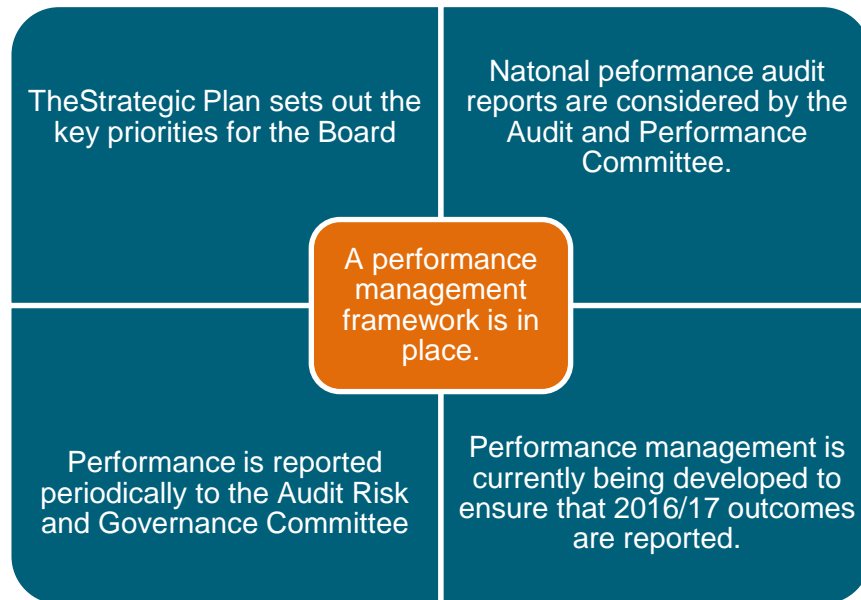
## Outlook

79. West Lothian Integration Joint Board faces continuing challenges on a number of fronts including mounting financial challenges, meeting exacting performance targets, and delivering the Scottish Government's aim of having people living longer and healthier lives at home or a homely setting (i.e. the 2020 Vision).

80. The design of IJBs brings the potential for real or perceived conflicts of interest for board members and senior managers. Partners need to be clear regarding how governance arrangements will work in practice, particularly when disagreements arise. This is because there are potentially confusing lines of accountability, which could hamper the Board's ability to make decisions about the changes involved in redesigning services. People may also be unclear who is ultimately responsible for the quality of care.

81. Embedding robust governance arrangements will be an essential element in meeting these challenges and maintaining accountability. All stakeholders including patients, clinicians, carers, the public, staff, partner bodies and the Scottish Government, benefit from the assurance and confidence a good governance regime brings.

# Best Value



- 82. The Public Bodies (Joint Working) (Scotland) Act 2014 set out a broad framework for creating integration authorities and gave councils and NHS boards a great deal of flexibility to enable them to develop integrated services that are best suited to local circumstances.
- 83. Integration authorities are required to contribute towards nine national health and wellbeing outcomes. These high level outcomes seek to measure the quality of health and social care services and their impact on, for example, allowing people to live independently and in good health, and reducing health

inequalities. This signals an important shift from measuring internal processes to assessing the impact on people using health and social care services.

- 84. The integration scheme specifies the wide range of functions delegated by the council and the health board to the Board. These include all services previously carried out by the council's Adult social care services department plus a wide range of service previously carried out by the health board including accident and emergency, all community hospitals, all mental health inpatients services, and primary care. Good progress is being made.
- 85. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. IJBs need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account. There is also a need for regular reporting to partner organisations. This is particularly important as most members of West Lothian Council and NHS Lothian are not directly involved in the Board's work.

## Arrangements for securing Best Value

- 86. The integration scheme committed the Board to delivering the national outcomes for Health & Wellbeing. Partners identified a core set of indicators and targets and then agreed a framework for reporting progress against these. Locality planning arrangements are also in place which are multi disciplinary and multi sectoral and

allow for different local needs to be taken into account in strategic planning.

87. The Board is also committed to a number of high profile deliverables, including savings plans relating to both West Lothian Council and NHS Lothian, tackling inequalities and poor health outcomes through targeted service delivery on a locality basis, and shifting the balance of care for frail older people to support independent living.
88. The Board works with the Lothian Analytical Services and the other IJBs to agree a Lothian Core dataset to support planning and monitoring of performance across health and social care. The dataset will include the measures for the Local Delivery Plan, as well as indicators for social care, primary care and community.
89. Each IJB in Lothian hosts or manages a range of services provided on a pan Lothian basis on behalf of the other IJBs. Embedding effective two way working relationships and communication with all hosted services and host IJBs is paramount, not only to influence strategic planning and redesign but to ensure the right services are developed and delivered for people in West Lothian.
90. Overall, we concluded that the Board has arrangements for securing BV and continuous improvement.

## Performance management

91. The Strategic Plan identifies four strategic priorities that are linked to the Scottish Government's nine health and wellbeing indicators. These are:
  - Tackling inequalities
  - Prevention and early intervention
  - Integrated and coordinated care
  - Managing our resources effectively
92. 23 core indicators have been developed from national sources so that the measurement approach for the agreed integration health and wellbeing outcomes is consistent across all areas.
93. Progress against each of the indicators and actions will be reported to the Audit Risk and Governance Committee.
94. The performance management framework will continue to evolve as improved targets or data sources become available through, for example, the change programme.
95. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. This report should cover areas including: service type and balance of care; key care groups; localities; and assessment of performance in achieving best value. Overall, this is likely to consist of the indicators within the Boards' five priority areas plus the 23 core integration indicators developed by the Scottish Government to measure progress in delivering the

national health and wellbeing outcomes. The publication of the performance report is not a statutory requirement until 2016/17, the Board does not intend to produce this “national” report in 2015/16.

96. Financial monitoring reports are submitted quarterly to the IJB. These reports include projections for the year, reasons for under or overspends, any remedial actions being taken, movements since the previous monitoring report, cost pressures, and progress in achieving savings targets.
97. We concluded that the Board has established a satisfactory performance management framework. This is based on the existing performance frameworks at both West Lothian Council and NHS Lothian.

## Outlook

98. Pressures on health and social care services are likely to continue to increase for the foreseeable future. These increasing pressures have significant implications on the cost of providing health and social care services and challenges in ensuring that people receive the right care, at the right time, and in the right setting.
99. The Board is responsible for co-ordinating health and social care services and commissioning NHS Lothian and West Lothian Council to deliver services in line with the strategic plan. Over time, the intention is that this will lead to a change in how services are provided, with a greater emphasis on preventative services

and allowing people to receive care and support in their home or local community.

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

# Appendix I: Significant audit risks

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

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement in the financial statements</b>		
<p><b>Financial statements</b></p> <p>Financial statements are being prepared for the first time in 2015/16, and will require income, expenditure and year end balances between West Lothian Council, NHS Lothian, and the IJB to be agreed.</p> <p><b>Risk:</b> There is a risk that year end procedures for agreeing year end balances are not fully embedded to enable West Lothian IJB to present its financial statements in accordance with the Code and in accordance with timescales to meet NHS reporting requirements.</p>	<ul style="list-style-type: none"> <li>• We continued to engage with officers prior to the accounts being prepared to help ensure the relevant information was disclosed and timetable met.</li> <li>• We tested to ensure the governance statement is in accordance with the Code requirements.</li> <li>• We review technical guidance from IRAG and LASAAC.</li> <li>• Ensure accounting policies are appropriate and complete.</li> <li>• We obtain assurances from the auditors of West Lothian Council and NHS Lothian over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</li> </ul>	<ul style="list-style-type: none"> <li>• The financial statements were presented for audit in accordance with the agreed timetable.</li> <li>• No areas of concern highlighted by our audit testing.</li> </ul>

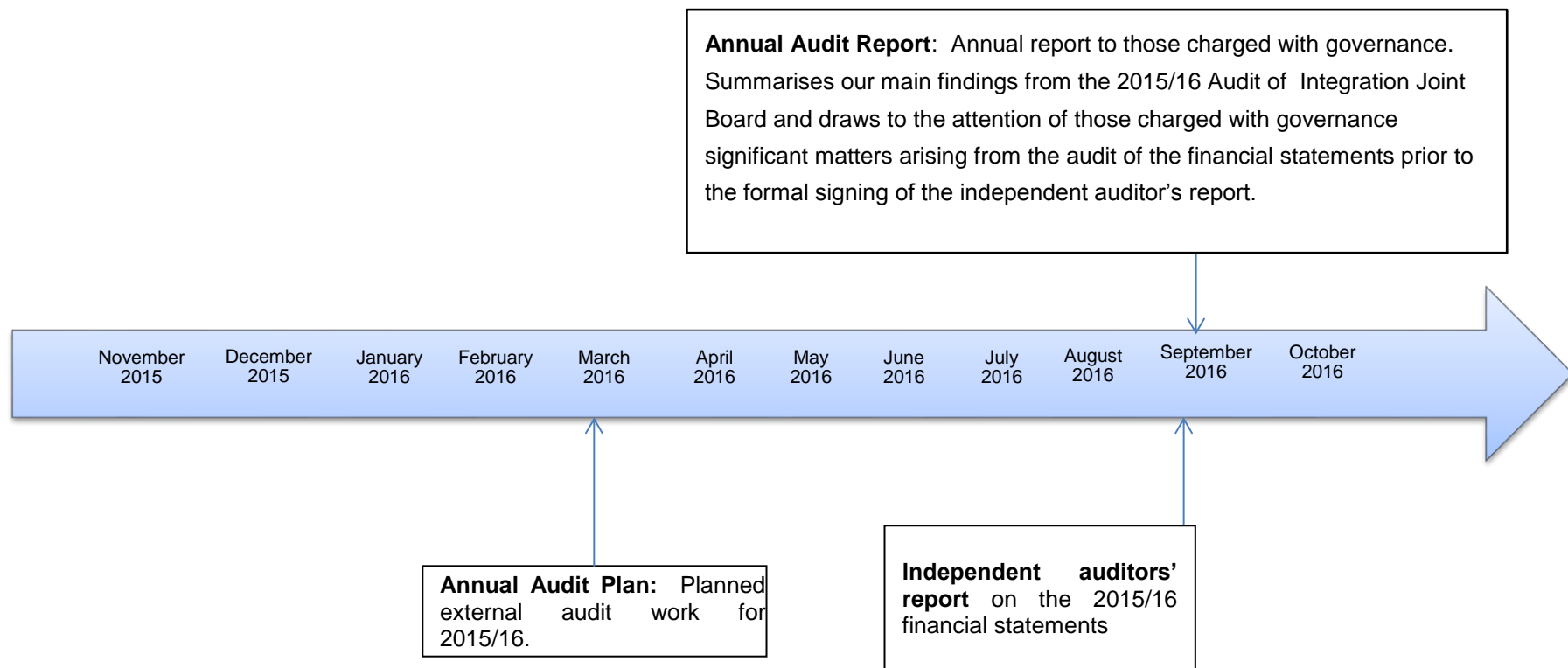
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Governance statement and management assurances</b></p> <p>The preparation of the financial statements of the IJB relies on the provision of financial and non-financial information from the systems of the two partner bodies. The Chief Finance Officer of the IJB must obtain assurance; that the costs transferred to the accounts of the IJB are complete and accurate and were incurred on behalf of the IJB for services prescribed in the integration scheme.</p> <p><b>Risk:</b> The Chief Finance officer does not have adequate assurance that information received from each party is accurate and complete.</p>	<ul style="list-style-type: none"> <li>• We ensured the governance statement adequately reflects the position of IJB.</li> <li>• We ensured that financial reporting throughout the year is accurately reflected in the year end position.</li> <li>• We considered whether appropriate action is taken on issues raised in Internal Audit reports.</li> <li>• We obtained audit assurances from the auditor of the council and health board regarding the accuracy and allocation of IJB transactions and to ensure they are recorded in the correct financial year.</li> </ul>	<ul style="list-style-type: none"> <li>• Assurances obtained from West Lothian Council and NHS Lothian</li> <li>• No areas of concern noted</li> </ul>

Audit Risk	Assurance procedure	Results and conclusions
<p><b>Appointment of key officers</b></p> <p>While an interim Chief Officer was in post, the Standards officer, Chief Finance Officer and Internal Auditor were not appointed until February 2016.</p> <p><b>Risk:</b> There is a risk that the late appointment of key officers could adversely impact upon the arrangements for the preparation of the financial statements and the adoption of key policies and regulations.</p>	<ul style="list-style-type: none"> <li>Continued engagement with officers prior to the accounts being prepared to ensure relevant information is disclosed and the timetable met.</li> <li>Monitoring of Board papers to ensure that relevant documents, such as the Financial Regulations, are presented for approval.</li> </ul>	<ul style="list-style-type: none"> <li>The financial statements were presented for audit in accordance with the agreed timetable.</li> <li>No areas of concern highlighted by our audit testing.</li> </ul>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>Risk Management</b></p> <p>The integration scheme requires some arrangements in respect of risk management to be in place before the date of the delegation of the integration functions.</p> <p><b>Risk:</b> Without a formal process of risk recognition and management, the Board could suffer loss on the crystallisation of specific risks.</p>	<ul style="list-style-type: none"> <li>Review of the IJB's risk management arrangements.</li> <li>Liaison with Chief Finance Officer regarding the development of a WLIJB Risk Management strategy.</li> </ul>	<ul style="list-style-type: none"> <li>No further areas of concern highlighted by our audit work.</li> </ul>

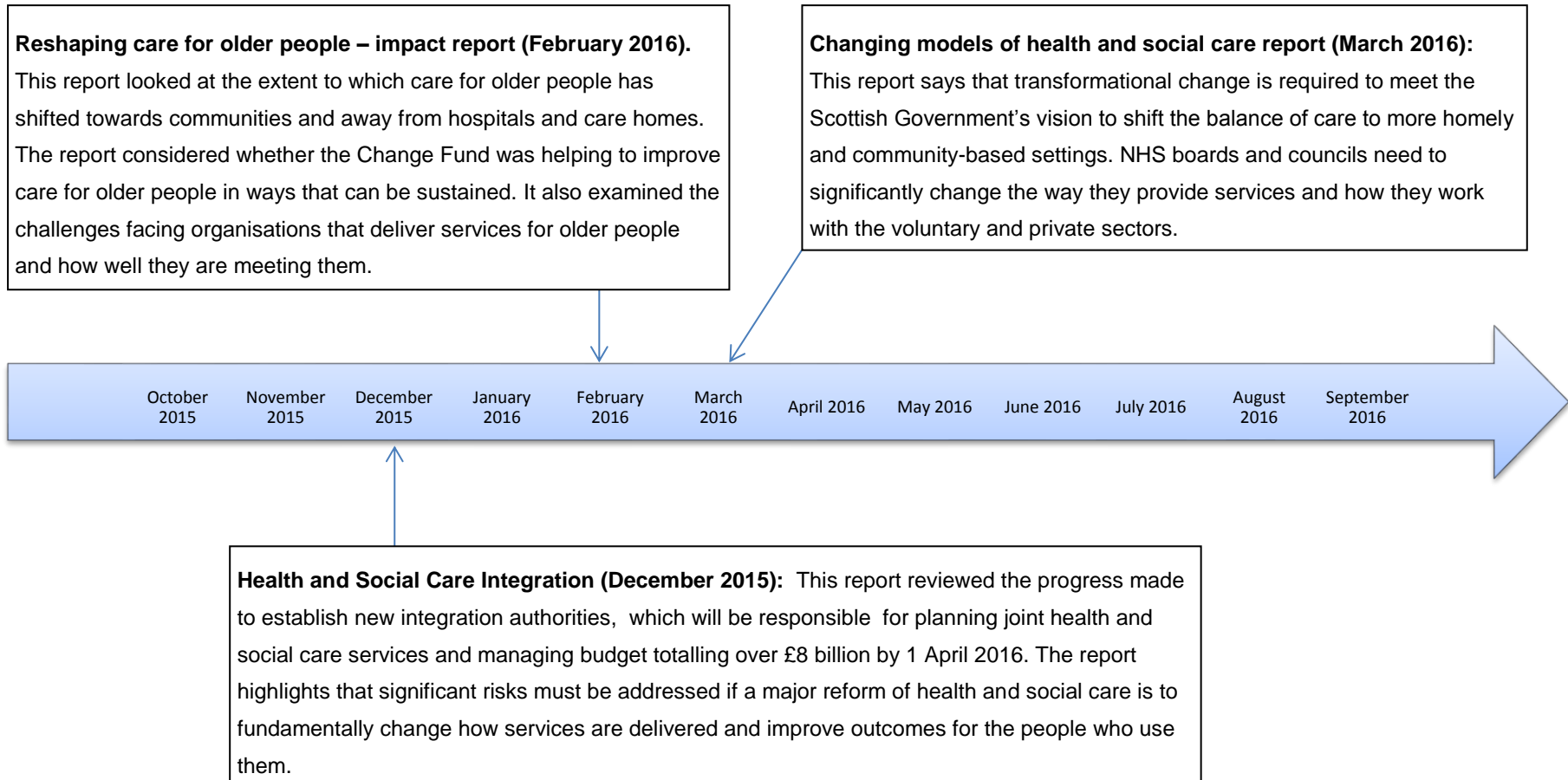
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Financial Sustainability</b></p> <p>The IJB is operating in an environment with a number of challenges and risks to future finances. These include increases in demand, demographic changes, welfare reform and potential changes in central funding. The IJB will need to exercise strong financial management and budgetary control to address these challenges.</p> <p><b>Risk:</b> There is a risk the IJB will not meet the efficiencies or service improvements required to meet the challenges caused by reduced funding combined with increasing demand for services.</p>	<ul style="list-style-type: none"> <li>• Regular financial monitoring reported to the IJB.</li> <li>• Agreement of a strategic plan based on the allocated budget.</li> <li>• Review of minutes</li> </ul>	<ul style="list-style-type: none"> <li>• No further areas of concern highlighted by our audit work.</li> </ul>



# Appendix II: Summary of West Lothian Integration Joint Board local audit reports 2015/16



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



## Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	46	<p><b>Issue</b></p> <p>There is a risk that efficiencies will not be delivered to bridge the current £1.249 million funding gap and ensure spend is managed within available 2016/17 resources, leaving the IJB with a deficit for the financial year.</p> <p><b>Recommendation</b></p> <p>The IJB should monitor progress towards realising identified savings on a regular basis and develop contingency plans to address projected funding gaps.</p>	<p>Regular reports on 2016/17 financial performance, including quarterly monitoring, will be reported to the Board during 2016/17. These will include updates on the current funding gap and progress being made to contain spend within available resources taking account of the achievement of savings.</p> <p>Responsibility for ensuring spend is contained within available resources will be consistent with relevant sections of the approved West Lothian Integration Scheme.</p>	Patrick Welsh/ Ongoing