

West Dunbartonshire Integration Joint Board

2017/18 Annual Audit Report



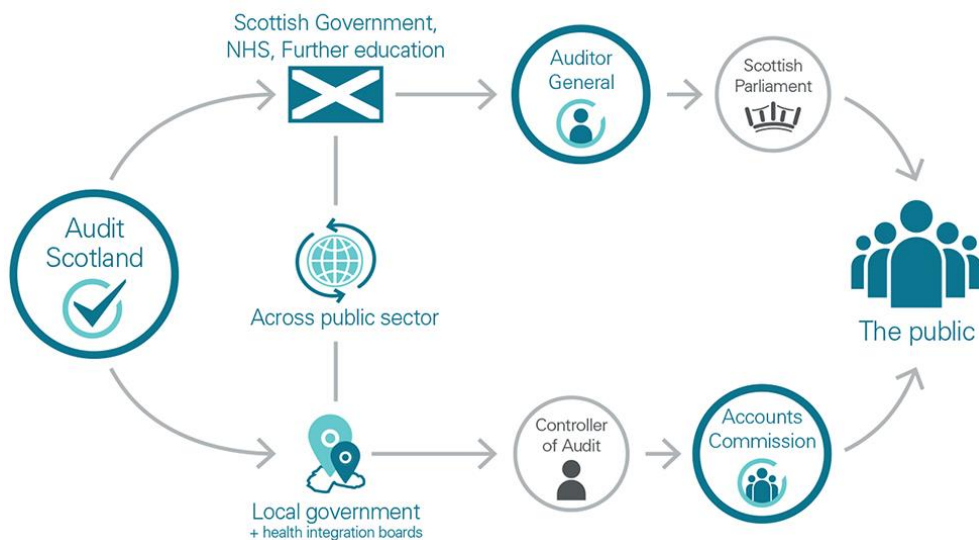
 AUDIT SCOTLAND

Prepared for West Dunbartonshire Integration Joint Board and the Controller of Audit
26 September 2018

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

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

Contents

| | |
|--|----|
| Key messages | 4 |
| Introduction | 6 |
| Part 1 Audit of 2017/18 annual report and accounts | 8 |
| Part 2 Financial management and sustainability | 12 |
| Part 3 Governance, transparency and value for money | 18 |
| Appendix 1 Action plan 2017/18 | 23 |
| Appendix 2 Significant audit risks identified during planning | 28 |
| Appendix 3 Summary of national performance reports 2017/18 | 31 |

Key messages

2017/18 annual report and accounts

- 1 In our opinion West Dunbartonshire IJB's financial statements give a true and fair view and were prepared in accordance with accounting regulations.
- 2 The management commentary, remuneration report and annual governance statement were consistent with the financial statements.

Financial management and sustainability

- 3 Budgetary process arrangements provide reliable information to the Board, for monitoring financial performance. While these arrangements have improved on prior years, there is scope to strengthen them by providing information on transfers to and from earmarked reserves.
- 4 The IJB incurred an overspend against budget of £1.231 million. This was funded from unearmarked reserves which was offset by additional funding received from the Scottish Government. Due to this, the accounts show a surplus of £0.574 million. Unearmarked reserves total £1.075 million, which is below the prudential reserve target of £2.492 million set by the IJB.
- 5 The Integration Scheme requires a financial recovery plan to be agreed by all parties where a deficit is projected. Discussions took place between the IJB and its partner bodies, however no formal financial recovery plan was agreed or presented to the Board and its partners for approval.
- 6 WDIJB has set a savings target of £1.216 million for 2018/19. It faces cost pressures associated with community placements and prescribing. This means it is increasingly important that the IJB produces a medium to long term financial plan to identify how savings will be achieved.

Governance, transparency and value for money

- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.
- 8 WDIJB completed a public budget consultation for the financial year 2018/19. This demonstrates a commitment to community engagement and transparency.
- 9 The recent Best Value Assurance Report for West Dunbartonshire Council comments that WDIJB is beginning to deliver new ways of working and there is evidence that WDIJB is progressing well with implementing new models of care.
- 10 WDIJB published its annual performance report in July 2018, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. While the annual performance report covered the majority of the key areas, it did not demonstrate how best value is being delivered. A mechanism is needed for the IJB to do this.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of West Dunbartonshire Integration Joint Board, hereby referred to as the 'WDIJB'.
2. The scope of our audit was set out in our Annual Audit Plan presented to the 14/03/2018 meeting of the Audit Committee. This report comprises the findings from:
 - an audit of the IJB's annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2017/18 have been:
 - a review of the IJB's main financial systems
 - an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinions
 - consideration of the four audit dimensions.
4. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

5. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.
6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), supplementary guidance, and International Standards on Auditing in the UK.
7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.
8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
9. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist.

Adding value through the audit

10. Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.
11. 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. It contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
12. In carrying out the audit we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.
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 2017/18 annual accounts



Main judgements

In our opinion WDIJB's financial statements give a true and fair view and were properly prepared in accordance with accounting regulations.

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.

Unqualified audit opinions

- 14.** The annual accounts for the year ended 31 March 2018 were approved by the Audit Committee on 26 September 2018. We reported within our independent auditor's report that in our opinion:
- the financial statements give a true and fair view and were properly prepared
 - the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.
- 15.** Additionally, we have nothing to report in respect of other information in the accounts, the adequacy of accounting records, and the information and explanations we received as part of the audit.

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

Submission of annual accounts for audit

- 16.** We received the unaudited annual accounts on 13 June 2018 in line with our agreed timetable within our Annual Audit Plan. The working papers provided with the unaudited annual accounts were of a good standard and finance staff, including the Chief Financial Officer, provided good support to the audit team which helped ensure the audit process ran smoothly.
- 17.** WDIJB submitted financial information on year-end balances to NHS Greater Glasgow & Clyde (NHSGGC) by 24 May 2018, in line with the agreed timetable.
- 18.** WDIJB relies on the provision of financial information from the systems of WDC and NHSGGC and partner bodies also provided this to WDIJB in a timely manner. Written assurances were received by the IJB's Chief Financial Officer from its host bodies confirming the completeness and accuracy of the information supplied.

Risks of material misstatement

- 19.** The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and potential impact on the financial statements. We set out in our Annual Audit Plan, the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix 2](#) sets out the

significant audit risks identified and how we addressed each risk in arriving at our opinions on the Annual Report and Accounts.

Materiality

- 20.** 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 perceptions and decisions of users of 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 and was reported in the Annual Audit Plan. We assess the materiality of uncorrected misstatements, both individually and collectively.
- 22.** The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#). These values were not significantly different to those calculated earlier during the planning stage, and there was no change required to our planned audit approach.

Exhibit 2

Materiality values

| Materiality level | Amount |
|-------------------------|----------------|
| Overall materiality | £1.827 million |
| Performance materiality | £1.278 million |
| Reporting threshold | £18,000 |

Source: Audit Scotland

How we evaluate misstatements

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

Presentational, disclosure and other findings

- 24.** We identified a number of other presentational and disclosure issues in the draft accounts. These were discussed with management and were changed in the audited financial statements.
- 25.** The findings include our views about significant qualitative aspects of the board's accounting practices including:


- Accounting policies
- Accounting estimates and judgements
- Significant financial statements disclosures
- Timing of transactions and the period in which they are recorded

- The impact on the financial statements of any uncertainties
- Misstatements in the annual report and accounts
- The effect of any unusual transactions on the financial statements
- Disagreement over any accounting treatment or financial statements disclosure

Significant findings from the audit in accordance with ISA 260

26. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. These are summarised in Exhibit 3. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included.

Significant findings from the audit of the financial statements

| Issue | Resolution |
|---|--|
| <p>1. Hosted services</p> <p>On behalf of all IJBs within the Greater Glasgow and Clyde (GGC) area, the WDIJB acts as the lead manager, or host, for a number of delegated services. Similarly, other IJBs within the GGC area act as the lead manager, or host, for a number of delegated services on behalf of WDIJB.</p> <p>Following a review of the accounting for these services, a change to the accounting treatment was required for WDIJB (and other IJBs), to reflect the full costs and income in the accounts. This has resulted in a change of accounting policy for 2017/18 and a prior year restatement in the Comprehensive Income and Expenditure Statement.</p> | <p>We have reviewed the revised accounting treatment of hosted services as part of the 2017/18 audit and have concluded that it appropriate to the nature of the services provided by WDIJB and the wider NHSGGC IJBs.</p> <p>We will continue to review the development of the integration scheme within the five year timescale.</p> |
| <p>2. Hospital acute services (Set Aside)</p> <p>The “set aside” budget is WDIJB’s share of the budget for delegated acute services provided by large hospitals, on behalf of WDIJB.</p> <p>As per the previous financial year, a notional figure for the ‘set aside’, has been agreed with NHSGGC and included in the NHSGGC & WDIJB annual accounts. The budget and actual expenditure reported for the “set aside” are equal, The figure is based on 2015/16 activity levels for hospital inpatient and day case activity, as provided by NHS National Services Scotland’s Information Services Division, adjusted to reflect 2017/18 costs.</p> <p>The set aside value disclosed in the accounts (£17.066 million) does not accurately reflect the actual hospital use in 2017/18.</p> | <p>The Comprehensive income and Expenditure Account correctly incorporates the set aside costs.</p> <p>This is a transitional arrangement which was agreed by the Scottish Government. Therefore, this disclosure has been accepted for 2017/18.</p> <p> Recommendation 1 (refer appendix 1, action plan)</p> |

Good practice in financial reporting

27. Audit Scotland published a good practice note, '[Improving the quality of local authority accounts – integration joint boards](#),' in April 2018. We reviewed WDIJB's annual accounts against this good practice note. We are pleased to report that there are some elements of good practice within the annual accounts of the IJB. We also noted where improvements within the annual accounts could be made and included these as recommendations to management.

Follow up of prior year recommendations

28. In Appendix 1, we have followed up actions previously reported and assessed progress with implementation.

29. In total, 8 agreed actions were raised in our 2016/17 Annual Audit Report. Of these:

- 5 have been fully implemented or progressed
- 3 have not yet been actioned

30. Overall, the IJB has made good progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

Budgetary process arrangements provide reliable information to the Board, for monitoring financial performance. While these arrangements have improved on prior years, there is scope to strengthen them by providing information on transfers to and from earmarked reserves.

The IJB incurred an overspend against budget of £1.231 million. This was funded from unearmarked reserves which was offset by additional funding received from the Scottish Government. Due to this, the accounts show a surplus of £0.574 million. Unearmarked reserves total £1.075 million, which is below the prudential reserve target of £2.492 million set by the IJB.

The Integration Scheme requires a financial recovery plan to be agreed by all parties where a deficit is projected. Discussions took place between the IJB and its partner bodies, however no formal Financial Recovery Plan was agreed or presented to the Board or its partners for approval.

WDIJB has set a savings target of £1.216 million for 2018/19. It faces cost pressures associated with community placements and prescribing. This means it is increasingly important that the IJB produces a medium to long term financial plan to identify how savings will be achieved.

Financial management

31. To consider whether WDIJB has established adequate financial management arrangements, we considered several factors, including whether:
- the Chief Financial Officer has sufficient status to be able to deliver good financial management
 - standing financial regulations and standing orders are comprehensive, current and promoted within WDIJB
 - 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
 - WDIJB members provide a good level of challenge and question budget holders on significant variances.
32. In relation to the 2017/18 financial outturn, the Board received six budget monitoring reports, including an additional interim report at period 9. In 2016/17 we recommended some improvements to the budget monitoring arrangements. From our review, we noted that action had been taken to improve these

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

arrangements, for instance, by producing a year end summary outturn. Current reports also outline expenditure against budget for the delivery of core health and social care. Narrative is also included for any significant over or underspends.

33. However, the year-end outturn report to the 20 June 2018 audit committee outlined a deficit of £1.231 million, which was funded by reserves and the accounts (within the same report) outlined an increase in the level of reserves by £0.574 million. This was mainly due to additional SG ring fenced funds received. The financial reporting arrangements could be further strengthened by providing detail on transfers to and from unearmarked reserves. We do however note that an update was provided to the May Board meeting, which showed movements in reserves covering the overspend in year.



Recommendation 2

The IJB should strengthen its financial reporting arrangements by including details of reserve movements, specifically to and from earmarked reserves.



Recommendation 2 (refer Appendix 1, Action Plan)

34. We reviewed the financial regulations and standing orders of WDIJB and consider these to be comprehensive and fit for purpose.

Systems of internal control

35. WDIJB does not have any financial systems of its own. Instead, it relies upon the financial system of its host bodies, NHSGGC and WDC, to record all transactions. The key financial systems which WDIJB relies upon include the general ledger, trade payables, trade receivables and payroll.
36. As part of our audit approach, we sought assurances from the external auditor of NHSGGC and WDC and, in accordance with ISA 402, we confirmed there were no significant weaknesses in the systems of internal controls for the health board and no weaknesses in the systems of internal controls for the Council which would impact on WDIJB.

Financial performance in 2017/18

37. 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 partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.
38. During the course of the financial year, the projected budget outturn was closely monitored and managed. There was significant change however between the initial outturn projection reported (deficit of £0.525 million) to the final reported outturn (deficit of £1.231 million). This was mainly due to a significant increase in local demand for community placements. The outturn is identified in [Exhibit 4](#).
39. As reported previously, WDIJB incurred a deficit of £1.231million. This was funded from WDIJB unearmarked reserves. The Integration Scheme states that where a deficit is projected for the year, a financial recovery plan must be agreed by all partners. Discussions took place between WDIJB and the partner bodies (WDC and NHSGGC), however no financial recovery plan was drafted

or reported to the Board. It was agreed in November 2017 reserves would be used to fund the overspend.

40. There should be detailed discussions between the IJB and its partners, especially where a deficit is projected for the year. A formal recovery plan should be agreed and submitted to the Board for approval. This would allow for effective and informed decision-making by the Board.



Recommendation 3

Where a deficit is being projected, a formal recovery plan should be agreed between the IJB and its partners and submitted to the Board for approval.



Recommendation 3 (refer Appendix 1, Action Plan)

Exhibit 4

Performance against budget

| IJB budget objective summary | Budget £m | Actual £m | Variance £m |
|--------------------------------------|--------------|--------------|----------------|
| NHS Greater Glasgow & Clyde | 88.754 | 89.933 | 0.179 |
| West Dunbartonshire Council | 60.548 | 61.600 | 1.052 |
| Total Net Expenditure | 149.302 | 150.533 | 1.231 |
| Deficit (funded from WDIJB reserves) | | 1.231 | |

Source: WDIJB budget monitoring report May 2018

Reserves

41. WDIJB's reserves strategy is reviewed annually by the Board. The policy was reviewed and approved at the March 2017 Board meeting and it was decided that when calculating the prudential reserve target, budgets relating to Family Health Services (FHS) are excluded. This was due to the non-cash limited nature of the budget allocation. As such, the annual budget of £148.453 million, excluding the FHS budget of £23.828 million, results in a prudential reserve target of £2.492 million (2%).
42. Unearmarked reserves total £1.705 million, which is £0.787 million lower than the prudential reserve target. Earmarked reserves currently total £4.437 million, which amounts to 72% of total reserves. Detail on the movement in reserves for the year has been outlined below in [Exhibit 5](#).
43. The CIPFA Local Authority Accounting Panel (LAAP) bulletin 99 provides guidance on the establishment and maintenance of reserves. It does not prescribe the level of reserves but places the responsibility on the Chief

Financial Officer to advise the Joint Board on the creation and levels of reserves appropriate to the Joint Board's circumstances. The bulletin recognises that "earmarked" reserves are a valid way to meet known or predicted requirements. From our review of the earmarked reserves, we noted most were legitimately earmarked, for instance Scottish Government ring fenced funding. However, we identified instances where this requirement was not being met.

44. As part of the annual review of its reserves strategy the IJB should review its earmarked funds to ensure that they are for known or predicted purposes only. If not, they should not be classified as earmarked balances.



Recommendation 4

WDIJB should undertake a thorough review of its earmarked reserves to ensure they have been earmarked for known or predicted requirements.



Recommendation 4 (refer Appendix 1, Action Plan)

Exhibit 5

2017/18 General fund reserve

| 2017/18 general fund movements in reserves | Unallocated £m | Earmarked for specific use £m | Total general fund balance £m |
|--|--------------------|-------------------------------|-------------------------------|
| Balance at 1 April 2017 | 2.080 | 3.488 | 5.568 |
| Increase in 2017/18 | - | 0.949 ¹ | 0.949 |
| Reserves utilised in 2017/18 | 0.375 ² | - | 0.375 |
| Balance at 31 March 2018 | 1.705 | 4.437 | 6.142 |

Source: 2017/18 WDIJB annual accounts

Efficiency savings

45. To achieve long term financial sustainability, WDIJB recognises the need to transform the way in which services are delivered. Particularly, focussing on early intervention to reduce demand in the longer term. This is required in a challenging financial environment.
46. The IJB needs to make savings to maintain financial balance. In 2017/18 the IJB was expected to make efficiency savings of £3.469 million. WDIJB

¹ This increase was mainly a result of ring fenced Scottish Government fund, such as Scottish Government Primary Care Transformation Funding and the Integrated Care Fund (supporting the shift in the balance of care to a community setting).

² This was the net effect of funding the 2017/18 deficit and the release of earmarked reserves which no longer required to be earmarked.

achieved the majority of these savings but had to use £0.319 million of its reserves to deliver services.

47. At the May 2018 Board meeting it was reported that the IJB is required to make efficiency savings of £1.216 million in 2018/19. The level of unearmarked funds has fallen below the prudential reserve target. The IJB also faces a continuation of 2017/18 pressures with increased demand for community placements and potential cost pressures associated with prescribing. As such it is increasingly important that WDIJB identify how it will achieve these savings.

Prescribing cost pressures

48. For the financial year 2018/19, the prescribing risk sharing agreement between NHS Greater Glasgow and Clyde and the six Glasgow IJBs will no longer be in place. Previously, any over or underspends within the individual IJBs' prescribing budgets were retained within the health board. This allowed the IJB to recognise a breakeven position against its prescribing budget.
49. WDIJB reported that there have been increases in the costs of prescribing recently, due to a combination of factors, including national price increases, volatility of global markets and the extent of off-patent costs. This means that from 2018/19 onwards, WDIJB (and other Glasgow IJBs) will be exposed to increased financial pressures in relation to prescribing.
50. It is anticipated that the IJB will be able to issue the 2018/19 budget to GP practices in the near future, now that the 2017/18 final outturn position is known, and current cost and volume data can be applied in tandem with efficiency targets. At the moment, no variance is being reported as the best available forecast data is predicting a net cost pressure of 2.5% and WDIJB budgeted for a 3% net cost pressure.

Financial planning

51. The current Strategic Plan, approved at the August 2016 Board meeting, covers the period of 2016-2019 and is the IJB's second Strategic Plan. The IJB allocates the resources it receives from the health board and council in line with the Strategic Plan. WDIJB completes an annual review of the Strategic Plan and provides an update on progress to Board members and the public.
52. It was reported in our 2016/17 Annual Audit Report that there was no medium to long term financial plan in place. This is still the case. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer timeframe becomes necessary.
53. There was a special Board meeting of WDIJB, held in December 2017, to update members on the 2018/19 annual revenue budget setting assumptions. This included a summary of the financial challenges facing partner bodies which could affect future funding allocations. The details of the assumptions and potential gap were discussed with IJB Board members at a budget briefing session and to the IJB's Joint Staff Forum. In addition, a set of savings options for health and social care were also included for consideration and release for public consultation. However, the Board agreed to defer the decision on the public consultation until negotiations with its funding partners were further progressed.
54. Following this, at the February 2018 Board meeting, an update on the 2018/19 budget setting assumptions was provided. The Board agreed for savings options to be released to the public for consultation on 6 March 2018 (the day after the full council meeting where WDC's budget would be set). The Board approved the 2018/19 budget allocations at its May 2018 meeting and outlined the budget gap and the level of savings required to be achieved for the year. Details are provided below at [Exhibit 6](#).

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.

55. At the time of writing this report, the most recent financial monitoring report covering period one of 2018/19 (April – June 2018) outlines an overspend of £0.239 million and projects a full year overspend of £0.977 million. The main reason for this is the increased demand for kinship and foster placements, despite a 25% increase to the 2018/19 budget for this.

Exhibit 6

2018/19 Budget allocation and gap

| 2018/19 IJB budget | Funds Allocated £m | Funds Required £m | Gap Identified £m | Total Savings required (inc. gap) |
|-------------------------------|-----------------------|----------------------|----------------------|-----------------------------------|
| NHS Greater Glasgow and Clyde | 87.610 | 88.170 | 0.560 | 0.619 |
| West Dunbartonshire Council | 63.442 | 63.633 | 0.211 | 0.597 |
| Total | 151.527 | 152.270 | 0.771 | 1.216 |

Source: May 2018 WDIJB Board Meeting



Recommendation 5

WDIJB has agreed a savings target of £1.216 million for financial year 2018/19. It faces cost pressures associated with kinship care and prescribing and its level of unearmarked funds have fallen below the prudential reserve target. This means it is increasingly important that the IJB plans for the medium to long term and identifies the savings required



Recommendation 5 (refer Appendix 1, Action Plan)

Part 3

Governance, transparency and value for money



Main judgements

WDIJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board.



WDIJB completed a public budget consultation for the financial year 2018/19. This demonstrates a commitment to community engagement and transparency.

The recent Best Value Assurance Report for West Dunbartonshire Council comments that WDIJB is beginning to deliver new ways of working and there is evidence that WDIJB is progressing well with implementing new models of care.

WDIJB published its annual performance report in July 2018, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. While the annual performance report covered the majority of the key areas, it did not demonstrate how best value is being delivered.

WDIJB should develop a mechanism to demonstrate how it is meeting its Best Value duties.

Governance arrangements

- 56.** The Board is responsible for the strategic planning, management and delivery of the health and social care services delegated to it in line with the Integration Scheme between its partner bodies.
- 57.** The Board has 22 members and is comprised of six voting members; equally divided between both partners. Non-voting members include a number of professional members and stakeholder representatives.
- 58.** From our attendance at committee meetings, we have concluded that members are clear about their roles and responsibilities and are kept up to date on current issues so that they can scrutinise papers effectively. Recently, members and staff were invited to a training session on prescribing pressures, presented by the Lead for Prescribing and Clinical Pharmacy.
- 59.** The committee structure of the IJB currently comprises the Board and the Audit Committee. We have concluded that, overall, the Board has appropriate governance arrangements in place and they provide a framework for effective decision making and support good governance and accountability.

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.

Refreshed Strategic Plan

- 60.** The Public Bodies (Joint Working) (Scotland) Act 2014 established the need for IJBs to establish a Strategic Planning Group for the purpose of developing, finalising and reviewing their strategic plans. WDIJB's current strategic plan covers 2016-2019 and this required to be updated every three years. Work is currently ongoing through this sub-committee of the Board to develop the strategic needs assessment which will underpin the planning for the next strategic plan (covering years 2019-2022).
- 61.** The strategic plan is reviewed annually, and the 2018 review was completed and reported to the August 2018 Board meeting. The current strategic plan focusses on five key outcomes:
- The local economy is thriving
 - Communities are safe
 - Children and young people are nurtured
 - Older residents are supported to remain independent
 - Residents are empowered
- 62.** The refreshed strategic plan aims to build on the experiences of the first two years of integration and reflect the strategic needs assessment within the local population.

Performance management

- 63.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end (i.e. 31 July 2018). The Public Bodies (Joint Working) (Content of Performance Reports) (Scotland) Regulations 2014 sets out the required content of the annual performance report. The legislation requires the report to cover areas including assessing performance in relation to national health and wellbeing outcomes, financial performance and best value.
- 64.** The annual performance report for 2017/18 was submitted to the 8 August 2018 Board meeting, although the report was publicly available via the IJB's website prior to the deadline. The Board also received quarterly reports throughout the year on the proposed annual performance report for 2017/18.
- 65.** The report included sections on delivering the IJB's key priorities, locality planning, financial performance and a performance summary. Our review noted that, while it covered the majority of the key areas set out in the guidance, it did not demonstrate how the IJB is delivering Best Value.
- 66.** This is the third annual performance report for WDIJB. The key strategic areas are:
- supporting children and young people
 - supporting older people
 - supporting safe, strong & involved communities.
- 67.** Performance is measured by 3 different sets of indicators; Core Integration indicators, Key Performance indicators and Local Government Benchmarking Framework indicators.
- 68.** Overall, within the 42 Key Performance indicators, 27 were met, ten were narrowly missed and five were missed significantly (by 15% or more).

69. There were also 13 external inspections of WDIJB services by the Care Inspectorate and subsequent reports published. In general, all grades ranked from 4-5 (good - very good) with one report graded as a 6 (excellent), which is the highest grade that can be achieved.

Best Value

70. Local government bodies, including Integrated Joint Boards, have a statutory duty to make arrangements to secure Best Value, through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.
71. While there is evidence of elements of Best Value being demonstrated by WDIJB, there is no mechanism for formal review. Mechanisms and reporting arrangements should be implemented to provide assurance to the Chief Officer and the Board that partners have arrangements in place to demonstrate that services are delivering Best Value. This was raised as an action point in our 2016/17 Annual Audit Report and is included in appendix 1.



Recommendation 7

The IJB should agree a mechanism for undertaking a periodic and evidenced formal review of how it is achieving Best Value. This should be then be included and reported through the Annual Performance Report.



Recommendation 7 (refer Appendix 1, Action Plan)

72. Whilst there are no arrangements for reporting on BV in the IJB, in June 2018, the Accounts Commission published the Best Value Assurance Report for West Dunbartonshire Council. WDIJB performance was reviewed as part of the scope of this audit.
73. The report outlined that WDIJB was beginning to deliver new ways of working and there is evidence that WDIJB is progressing well with implementing new models of care. For example, in 2017, the Care at Home Service was awarded the Scottish Association of Social Work (SASW) Award for the 'Best example of collaboration in an integrated setting'. As well as a core service, WDIJB has created an integrated out-of-hours care at home and district nursing service to respond more effectively to risks and avoid unnecessary hospital admissions. As a result, more elderly people are living independently at home.

Transparency

74. Transparency means that the general public, and in particular, local residents, have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.
75. Full details of the meetings held by the Board and the Audit Committee are available on WDIJB's website and members of the public are permitted to attend and observe these meetings. Agendas, reports and minutes of each meeting are also all publicly available through the website and public notice of each meeting is given.

76. Overall, we concluded that the IJB conducts its business in an open and transparent manner.

Good practice – Public Budget Consultation Exercise

77. WDIJB undertook a public budget consultation for the first time for the financial year 2018/19. The consultation went live on the IJB's website on 6 March 2018 and closed on 4 April 2018. The object of the consultation was to seek the views of residents and staff about the proposed range of budget savings options across health and social care services.

78. This exercise also included offers from the Chief Officer to all internal and external stakeholders for one to one meetings, discussions within groups as well as an online survey. Participants were provided with a range of savings options, which included the full year financial impact of each saving. For social care; participants were asked if they agreed or disagreed on the proposed saving options and for healthcare services, the savings options were included for information (as health boards are not required to publicly consult on savings). Participants were also asked to offer suggestions for areas where other budget reviews could be undertaken in the future.

79. A total of 335 people responded to the consultation. The responses were included in the May 2018 Board papers and can be viewed online through Board papers. This exercise displays WDIJB's commitment to community engagement and transparency.

Internal audit

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

81. WDIJB's internal audit function is led by the Chief Internal Auditor of West Dunbartonshire Council. We carried out a review of the adequacy of the internal audit function and concluded that operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

82. To avoid duplication of effort we review the work of internal audit in selected areas. We considered the work of internal audit to inform our wider dimension work. We reviewed internal audit's findings in relation to the following reports:

1. Guardianship cases (MHO involvement)
2. Use of Care First functionality for financial management

83. Scott Moncrieff assumed the role of the internal audit function for NHS Greater Glasgow and Clyde from 1 April 2018. We raised in our 2016/17 Annual Audit Report that arrangements for sharing internal audit reports from NHSGGC should be formalised and strengthened. The rolling action plan reported to the June IJB Audit Committee outlines that the tender document included reference to the six Glasgow IJBs and a meeting is to be arranged in the near future for discussing the new protocol.

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

84. The Board requires that all members must comply with Standards in Public Life – Code of Conduct for Members of Devolved Public Bodies. The Board adopted the template Code of Conduct for Integration Joint Boards which had been produced by the Scottish Government in August 2016.

85. Based on our review of the evidence, we concluded that the IJB 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.

Other Governance Arrangements

General Data Protection Regulation

86. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. GDPR has introduced new and significantly changed data protection concepts leading to the UK Data Protection Act 2018, which superseded the UK Data Protection Act 1998.
87. Our review of Board papers and minutes and WDIJB's website identified that no papers have been presented and there is nothing to indicate the IJB's position on what their responsibilities are in relation to the GDPR requirements.
88. WDIJB should formally consider and report on its own responsibilities regarding GDPR requirements to assess whether it is a controller of personal information and, if so, identify and appoint a Data Protection Officer.



Recommendation 6

WDIJB should formally consider, as a matter of priority, its responsibilities in relation to the GDPR requirements to assess whether it is a controller of personal information and, if so, identify and appoint a Data Protection Officer



Recommendation 6 (refer Appendix 1, Action Plan)

National performance audit reports

89. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which are of direct interest to the Board as outlined in [Appendix 3](#).
90. Our review concluded that WDIJB has satisfactory arrangements in place for considering and reviewing national reports including any locally agreed actions to be taken forward.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|--|---|
| 1 | <p>Set aside</p> <p>Arrangements for the sum set aside for hospital acute services under the control of WDIJB are not yet operating as required by legislation and statutory guidance.</p> <p>A notional figure was included in the accounts under an extension to the transitional arrangement agreed by the Scottish Government.</p> <p>Risk</p> <p>In future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p> | <p>NHSGGC and WDIJB should continue to establish processes for planning and performance management of delegated hospital functions and associated resources in 2018/19</p> <p>Point 2, Exhibit 3</p> | <p>The CFO will continue to be involved in both local and national discussions to develop arrangements for the sum set aside.</p> <p>Chief Financial Officer and Head of Strategy, Planning & Health Improvement</p> <p>June 2019</p> |
| 2 | <p>Budget monitoring arrangements</p> <p>The year-end outturn report outlined a deficit of £1.231 million which was to be funded by reserves. In the same report, the accounts were presented which outlined a £0.574 million increase in the overall level of reserves.</p> <p>Risk</p> <p>Budget reports may not provide sufficient information to enable members to review financial performance and make the necessary decisions.</p> | <p>The IJB should strengthen their financial reporting by including details of reserve movements, specifically to and from earmarked reserves.</p> <p>Paragraph 39</p> | <p>An appendix on reserves will be included in future financial performance reports.</p> <p>Chief Financial Officer</p> <p>November 2018</p> |
| 3 | <p>Financial recovery plan</p> <p>The Integration Scheme states that where a deficit is projected or incurred for the year, a</p> | <p>Where a deficit is anticipated, a recovery plan should be formally agreed between the IJB and its partners and</p> | <p>The requirements of the Integration Scheme will be implemented.</p> <p>Chief Financial Officer</p> |



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|--|---|--|
| | <p>financial recovery plan must be agreed by partners. No plan was drafted or reported to the Board.</p> <p>Risk</p> <p>The lack of a financial recovery plan could impact on the Board's ability to make effective and informed decisions about the IJB's finances.</p> | <p>submitted to the Board for approval.</p> <p>Paragraph 46</p> | December 2018 |
| 4 | <p>Review of earmarked reserves</p> <p>Unearmarked reserves are currently below the prudential reserve target. Earmarked reserves total £4.437 million (72% of total reserves). From our review we identified a few instances where reserves were being earmarked despite not meeting the criteria.</p> <p>Risk</p> <p>Unearmarked reserves do not represent a suitable level of contingency to mitigate the impact of unexpected events or emergencies.</p> | <p>WDIJB should undertake a thorough review of its earmarked reserves to ensure they have been earmarked for known or predicted requirements.</p> <p>Paragraph 49</p> | <p>This was discussed at the August 2018 Board meeting, with an update requested for the next meeting.</p> <p>Chief Financial Officer</p> <p>November 2018</p> |
| 5 | <p>Financial sustainability</p> <p>In 2018/19 the Board agreed to deliver savings of £1.216 million. It faces cost pressures associated with kinship care and prescribing and the level of unearmarked reserves is below their target. In addition, the IJB is currently projecting an overspend of £0.977 million for the 2018/19.</p> <p>Risk</p> <p>Additional pressure on the IJB's finances, combined with the cost pressures associated with prescribing and kinship</p> | <p>In addition to tracking progress against the agreed savings for the 2018/19 financial year, a medium to long term financial plan should be produced.</p> | <p>The medium to long term plan will be discussed with the newly formed Strategic Planning Group, including partners' funding assumptions.</p> <p>Chief Financial Officer and Heads of Service</p> <p>March 2019</p> |



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-----|---|---|---|
| | care, may result in a balanced budget not being delivered. | | |
| 6 | <p>GDPR requirements</p> <p>The IJB has not formally considered or reported on its responsibilities in relation to the new GDPR requirements.</p> <p>Risk</p> <p>WDIJB is in breach of GDPR legislation and has not considered its responsibility for the safeguarding of personal data</p> | <p>WDIJB should formally consider and report on its responsibility in relation to the GDPR requirements, and if necessary identify and appoint a Data Protection Officer.</p> | <p>The Impact of GDPR has been considered at different levels throughout the WDIJB, however a formal report will be presented to the Board and any actions implemented accordingly.</p> <p>Head of Strategy, Planning & Health Improvement</p> <p>November 2018</p> |
| 7 | <p>Best Value</p> <p>While there is evidence of elements of Best Value being demonstrated by the Joint Board, there is no mechanism for formal review and therefore it is not being reported through the Annual Performance Report.</p> <p>Risk</p> <p>Non-compliance with the requirements outlining the content of the Annual Performance Report. Also opportunities for continuous improvement are being missed.</p> | <p>The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework</p> | <p>A formal review will be carried out to evidence the current good practice and areas for improvement.</p> <p>Chief Financial Officer and Head of Strategy, Planning & Health Improvement.</p> <p>July 2019</p> |

Follow up of prior year recommendations

| | | | |
|-------|---|---|--|
| b/f 1 | <p>2017/18 Budget</p> <p>The budget for 2017/18 was not approved till 23 August 2017, which means that the Board was operating without a fully approved budget for almost six months of the financial year.</p> <p>Risk</p> <p>Operating without a fully approved budget makes financial management and decision making more difficult and may negatively affect the quality of service delivery.</p> | <p>The Board should continue to ensure that budgets for future years are approved as a matter of urgency.</p> | <p>The 2017/18 budget was approved in May 2018. Although this is one month after the year end, this is an improvement from 2016/17 and the IJB continues to engage with its partners early during the process.</p> <p>Completed</p> |
|-------|---|---|--|



| No. | Issue/risk | Recommendation | Agreed management action/timing |
|-------|--|--|--|
| b/f 2 | <p>Local Code Good Governance Arrangements</p> <p>The requirement in 2016/17 for the IJB to publicly report on their compliance with their Local Governance Code was not met.</p> <p>Risk</p> <p>WDIJB did not adopt the requirements of the Delivering Good Governance Framework in 2016/17.</p> | <p>WDIJB should review compliance against their Local Code and publicly report on this for 2017/18.</p> | <p>WDIJB adopted this requirement in 2017/18 and reported against the requirements of the Local Code in their annual accounts.</p> <p>Completed</p> |
| b/f 3 | <p>Internal Audit</p> <p>The internal auditors of NHSGGC do not share copies of individual internal audit reports with the IJB or attend meetings of the IJB's Audit Committee.</p> <p>Risk</p> <p>Officers and Board members may be unable properly discharge their scrutiny and governance responsibilities.</p> | <p>The WDIJB should develop a protocol with the auditors for all internal audit reports affecting the IJB to be made available to its Audit Committee.</p> | <p>Tender documentation issued as part of the re-tendering process for NHSGGC internal audit services noted that "<i>where their work is of relevance to Integration Joint Boards (IJBs), the Contractor may be called on to give appropriate assurances to the IJB Chief Internal Auditor</i>".</p> <p>The IJB continues to engage with both NHSGGC and the internal audit department.</p> <p>Paragraph 85 discusses progress with this action.</p> <p>Partially Completed</p> |
| b/f 4 | <p>Annual Performance Report</p> <p>The 2014 Regulations require that an Annual Performance Report be approved and submitted within four months of the financial year end. This was not achieved for 2016/17 with the report being submitted on 23 August 2017.</p> <p>Risk</p> <p>Non-compliance with statutory regulations which is required to be reported by auditors. In addition, late submission delays</p> | <p>The WDIJB should ensure the Annual Performance Report is approved and submitted within the deadline.</p> | <p>The 2017/18 Annual Performance Report was published and available on the WDIJB website within the statutory deadline.</p> <p>Completed</p> |



No. **Issue/risk**

Recommendation

**Agreed management
action/timing**

the ability of Board members to review performance and progress improvement actions.

Appendix 2

Significant audit risks identified during planning

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

| Audit risk | Assurance procedure | Results and conclusions |
|---|--|---|
| Risks of material misstatement in the financial statements | | |
| <p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p> | <p>Detailed testing of journal entries.</p> <p>Review of accounting estimates. Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> | <p>Satisfactory written assurances were received from the external auditors of the council and health board regarding journal testing and accuracy, allocation and cut-off of Joint Board transactions.</p> |
| <p>2 Risk of fraud over expenditure</p> <p>The expenditure of WDIJB is processed through the financial systems of West Dunbartonshire Council and NHS Greater Glasgow and Clyde. There is a risk that non IJB related expenditure is incorrectly coded to IJB accounts.</p> | <p>Gaining assurances from the auditors of the council and health board over the accuracy, completeness and appropriate allocation of the IJB ledger entries.</p> <p>Carry out testing to confirm the accuracy and correct allocation of IJB transactions, and that they are recorded in the correct financial year.</p> | <p>Satisfactory written assurances were received from the external auditors of WDC and NHSGGC regarding accuracy, allocation and cut-off of Joint Board transactions.</p> |
| <p>3 Hospital acute services (set aside)</p> <p>A notional figure for 2016/17 for the "set aside" for hospital acute services under the control of WDIJB was agreed with NHSGGC. This was a transitional arrangement for 2016/17 and no such arrangement has been agreed by the Scottish Government for 2017/18.</p> <p>The IJB needs to ensure its arrangements for calculating and</p> | <p>The audit of the set aside will compare the IJBs accounting treatment with current accounting requirements. Non-compliance will be reported.</p> <p>Continue to liaise with the CFO on progress of the working group.</p> | <p>The Scottish Government issued guidance in late 2017/18 which permitted IJBs and health boards to continue with transitional arrangements which was to take 2015/16 activity data compiled by ISD and uprate this for 2017/18 costs. This is the approach that has been taken in 2017/18. A position statement has been reported to officers in the action plan.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|---|--|--|
| <p>reporting the set aside comply with the statutory guidance.</p> | | |
| <p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p> | | |
| <p>5 Financial sustainability</p> <p>At the time of writing this plan, the IJB is projecting an overspend of £1.277million. £280,000 of the overspend relates to Health and is due mainly to the delay in achieving some previously approved savings and pressures on equipment for people discharged from hospital. £997,000 of the overspend relates to Children's Services for the increased demand for foster places, kinship care and residential schools.</p> <p>The IJB had provisionally agreed to fund this from their unallocated reserves, bringing their unallocated reserves levels below the IJBs prudential reserve target. The IJB has planned to hold members' sessions to focus on particular budget pressure areas.</p> <p>There is also no medium to long term financial plan in place. This is increasingly important as demand pressure increases, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary.</p> | <p>Review of the IJB's final year end position.</p> <p>Review of financial and budgetary reports.</p> <p>Review progress of producing long term financial strategy and plans.</p> <p>The March 2018 financial outturn will be reported in the annual audit report.</p> | <p>Overall, the board has improved its financial management arrangements.</p> <p>The board should continue to address the issues and risks that have been reported to officers in the Action Plan.</p> |
| <p>6 Best Value</p> <p>IJBs should have arrangements in place to demonstrate how they are fulfilling their duty of Best Value.</p> | <p>Review any available evidence of best value work being undertaken by the IJB and liaise with CFO.</p> <p>A position statement will be reported in the annual audit report.</p> | <p>While we have noted elements of Best Value being attained, there is no arrangements in place to demonstrate that the IJB is fulfilling their duty of Best Value. This has been reported in the Action Plan to officers.</p> |
| <p>7 Risk management arrangements</p> <p>At present, there is no process for WDIJB members, the CO and CFO to identify and register any interests.</p> <p>There is a risk that the IJB cannot demonstrate and assure itself and its partner bodies that it</p> | <p>Review the progress of WDIJB in developing their risk management arrangements.</p> | <p>WDIJB has now implemented a process for recording the registers of interest for their members, Chief Officer and Chief Financial Officer.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|---------------------|-------------------------|
| is being open and transparent in its organisational decision making. | | |

Appendix 3

Summary of national performance reports 2017/18



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

Reports relevant to Integration Joint Boards

[Self-directed support: 2017 progress report](#) – August 2018

[NHS in Scotland 2017](#) – October 2018

West Dunbartonshire Integration Joint Board

2017/18 Annual Audit Report

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