

North Lanarkshire Integration Joint Board

2018/19 Annual Audit Report



 AUDIT SCOTLAND

Prepared for North Lanarkshire Integration Joint Board and the Controller of Audit
September 2019

Who we are

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

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



About us

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

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

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

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Key messages

2018/19 annual report and accounts

- 1 Our audit opinions on the annual report and accounts are all unmodified.
- 2 The remuneration report in the unaudited accounts contained a disclosure for the Chief Officer of the Integration Joint Board (the IJB) which included compensation for loss of office. We examined the supporting evidence in the audit of North Lanarkshire Council and agreed changes in the disclosures.

Financial management and sustainability

- 3 Appropriate financial management arrangements are in place but the timing of financial reporting could be improved and reports should include year-end outturn forecasts. The IJB reported a net deficit of £2 million in 2018/19. This movement on the general fund was not evident until the year end.
- 4 The 2018/19 budget included a funding gap of £10 million. Plans were in place to address £8 million of the gap, including £6.3 million of identified savings, of which 87 per cent were delivered. Reliance was placed on non-recurring and in-year funding solutions for the remaining gap of £2 million.
- 5 A balanced budget was set for 2019/20 that relies on a one-off contribution of £2.5 million from the contingency fund. This approach is not sustainable and the IJB may have to review its earmarked commitments to balance the budget in future.
- 6 Medium and long term financial plans still need to be developed.

Governance, transparency and value for money

- 7 Appropriate governance arrangements are in place that support the scrutiny of decisions by the IJB. Generally, the IJB demonstrates a commitment to transparency in the way it conducts its business but we identified instances where papers for board and committee meetings were not available to the public.
- 8 The Integration Scheme has been revised with effect from 1 April 2019 as children, families and justice social work services have been transferred back to North Lanarkshire Council.
- 9 A self-evaluation of integration arrangements was carried out in the year and reported in June 2019.
- 10 The annual performance report was published in draft by the statutory deadline of 31 July.

Introduction

1. This report is a summary of our findings arising from the 2018/19 audit of North Lanarkshire Integration Joint Board (the IJB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the Performance, Finance and Audit Committee meeting on 19 February 2019. This report comprises the findings from:

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

Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

Adding value through the audit

3. We add value to the IJB by:

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

4. In doing so, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

5. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The IJB is responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

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

7. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

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

8. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

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

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

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2018/19 audit fee of £25,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

12. This report is addressed to both the IJB and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

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

Part 1

Audit of 2018/19 annual accounts



Main judgements

Our audit opinions on the annual report and accounts are all unmodified.

The remuneration report in the unaudited accounts contained a disclosure for the Chief Officer of the IJB which included compensation for loss of office. We examined the supporting evidence in the audit of North Lanarkshire Council and agreed changes in the disclosures.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2019 were approved by the IJB on 24 September 2019. We reported within the independent auditor's report that:

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

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

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 14 June 2019 in line with our agreed audit timetable. The working papers were of a good standard and the Chief Financial Officer provided good support to the audit team which helped ensure the audit process ran smoothly.

Risks of material misstatement

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

18. We have made some recommendations from our work on the wider dimension risks highlighted in our 2018/19 Annual Audit Plan. These are included in the action plan at [Appendix 1](#).

Materiality

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

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

20. Our initial assessment of materiality for the annual report and accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically, regarding the annual accounts we assess the materiality of uncorrected misstatements, both individually and collectively.

21. On receipt of the unaudited annual accounts we reviewed our materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£6 million
Performance materiality	£3 million
Reporting threshold	£150,000

Source: Audit Scotland, 2018/19 Annual Audit Plan

Significant findings from the audit in accordance with ISA 260

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the IJB's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

23. The significant findings 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.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Remuneration report</p> <p>The remuneration report in the unaudited accounts contained a disclosure for the Chief Officer of the IJB which included compensation for loss of office.</p> <p>The individual's leaving date was 8 April 2019 and therefore these payments strictly do not form part of the 2018/19 remuneration. However, as the decisions leading to these payments were finalised by North Lanarkshire Council in 2018/19 and the unaudited accounts had already brought this into the public domain we have agreed to these payments remaining within the accounts. On this basis the disclosed salary should include all costs incurred up to the leaving date.</p> <p>The compensation for loss of office of £450,802 in the unaudited remuneration report included £322,157 "strain on the fund" cost which was paid to the pension fund not the individual. This should</p>	<p>As part of the audit of North Lanarkshire IJB we obtained formal assurances from the auditor of North Lanarkshire Council on the remuneration report disclosures for the former Chief Officer.</p> <p>Acceptable disclosures were agreed as part of the audit of North Lanarkshire Council and have been appropriately reflected in the audited remuneration report of the IJB.</p>

Issue	Resolution
therefore be shown as a pension contribution rather than remuneration of the individual. The annualised cost of £13,740 is now included separately in the audited remuneration report.	

Qualitative aspects of the audit

24. The annual accounts include a significant accounting estimate in respect of the amount set aside for large hospital services. The set aside amount in the 2018/19 annual accounts is £57 million. We received assurance from the auditor of NHS Lanarkshire that the estimation basis used in 2018/19 was appropriate.

How we evaluate misstatements

25. [Exhibit 3](#) explains adjustments to the remuneration report that are material by nature. There were no other material adjustments to the unaudited annual accounts arising from our audit.

Good practice in financial reporting

26. We have worked with the Chief Financial Officer to de-clutter the 2018/19 annual accounts by removing immaterial disclosures that may inhibit the ability to identify and understand relevant information. The accounts have reduced in length by six pages (or 12%) as a result.

27. The annual accounts reflect some areas of good practice as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)' (April 2018).

Follow up of prior year recommendations

28. The IJB has made some progress in implementing our prior year audit recommendations. Two of the six recommendations are now complete. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

Appropriate financial management arrangements are in place but the timing of financial reporting could be improved and reports should include year end outturn forecasts.



The 2018/19 budget included a funding gap of £10 million. Plans were in place to address £8 million of the gap, including £6.3 million of identified savings, of which 87 per cent were delivered. Reliance was placed on non-recurring and in-year funding solutions for the remaining gap of £2 million.

The IJB reported a net deficit of £2 million in 2018/19. This movement on the general fund was not evident until the year end.

The general fund balance is £16 million at 31 March 2019 but almost all of this balance is earmarked for future use.

A balanced budget was set for 2019/20 that relies on a one-off contribution of £2.5 million from the contingency fund. This approach is not sustainable and the IJB may have to review its earmarked commitments to balance the budget in future.

Medium and long term financial plans still need to be developed.

Financial management arrangements could be strengthened to support effective scrutiny

29. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements.

30. The Chief Financial Officer of the IJB was appointed on 2 June 2016. She reports directly to the Chief Officer and regularly reports to the Board and the Performance, Finance and Audit Committee. The Chief Financial Officer is also responsible for South Lanarkshire IJB and so her time is split between both bodies.

31. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Financial Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounts. Satisfactory arrangements are in place to identify this income and expenditure and report this to the IJB.

32. We note that the IJB's financial regulations still need to be updated to include the arrangements for the management of over and underspends on hosted services. This includes services such as mental health and physiotherapy.

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



Recommendation 1

The IJB's financial regulations should set out the arrangements that exist in practice for the management of financial resources for hosted services.

33. A financial monitoring report was taken to each meeting of the Board and Performance, Finance and Audit Committee throughout the year. The first of these covered the period to July 2018 and was presented at the beginning of September 2018. The IJB's financial regulations set out that a financial monitoring report should be taken within two months of the quarter ending. The lateness of financial reporting has been raised in our annual audit report in 2016/17 and 2017/18 and the Chief Financial Officer has advised that the timing of information and meetings makes earlier reporting difficult. The Chief Financial Officer should continue to work with partner bodies and the IJB to ensure timely scrutiny of the IJB's financial position.

34. In 2016/17, we reported that NHS Lanarkshire did not provide financial projections to the year-end meaning that the IJB was unable to forecast an accurate year end financial position in monitoring reports. In 2017/18, a year end forecast was provided by NHS Lanarkshire in November but we again note that this was not in place during 2018/19 and no year end forecasts were reported. We recognise that the IJB relies on information from the partner bodies to prepare the financial monitoring reports.



Recommendation 2

The Chief Financial Officer should work with partners and the IJB to improve the timing of financial reporting and outturn forecasting.

The 2018/19 budget was unbalanced, with a £2 million (0.3%) gap remaining

35. The 2018/19 North Lanarkshire IJB budget identified costs pressures of £20 million. Additional funding of £10 million from partner bodies was agreed, leaving a funding gap of £10 million. A range of specific plans were in place to address £8 million of the gap but actions to address the remaining £2 million were uncertain at the time the budget was approved.

36. The IJB received additional in-year contributions of £8.2 million from NHS Lanarkshire and £0.4 million from North Lanarkshire Council. Total funding contributions in 2018/19 were £450 million and £169 million respectively.

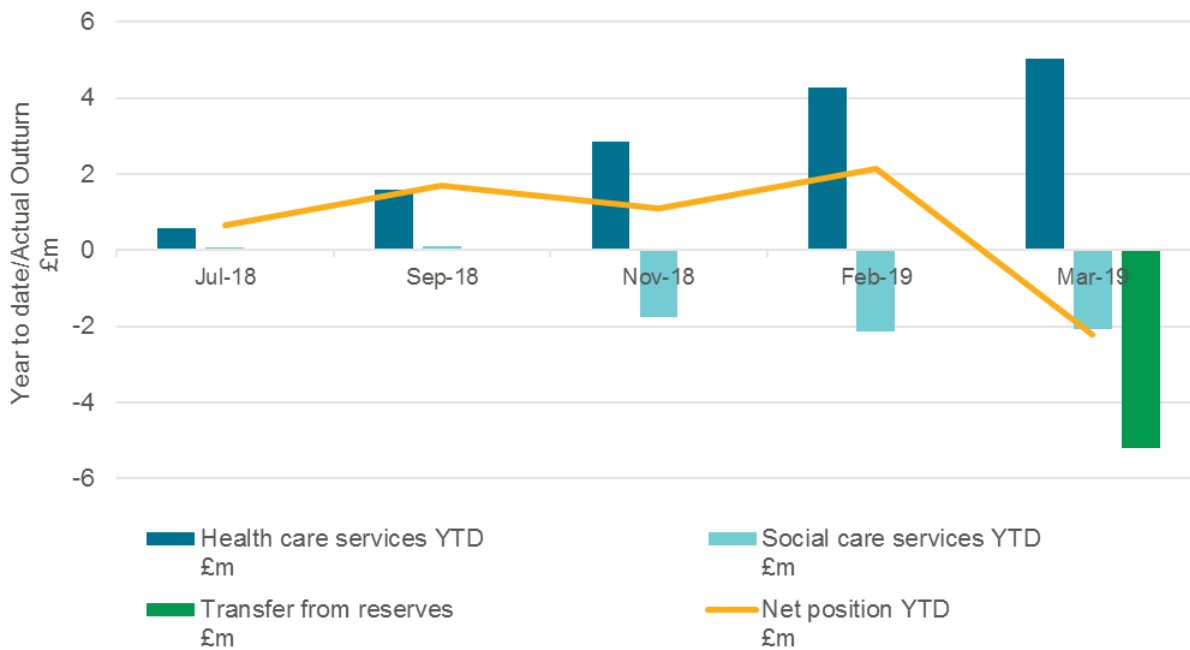
In 2018/19 the IJB reported a net overspend of £2.2 million

37. [Exhibit 4](#) shows how the financial position was reported throughout the year. The reports included a reasonably consistent underspend of £2 million in September, November and February. The financial monitoring reports treat transfers from reserves as additional in-year funding. This is different from the presentation in the financial statements so the two bases are not directly comparable, but can be reconciled, through this different treatment of reserves. The year-end outturn in the financial statements is a net overspend of £2.2 million.

38. The use of reserves has reduced the general fund balance by £2.2 million, to £16 million at 31 March 2019 (£18.2 million at 31 March 2018).

Exhibit 4

Financial position reported throughout 2018/19



Source: Financial Monitoring Reports taken to North Lanarkshire IJB and NLIJB Annual Accounts 2018/19

39. Financial monitoring reports explain variances from budget in the year.

- The £5.0 million net underspend on health care services included a £3.3 million underspend on staff costs because of a high level of vacancies. There was also an underspend of £1.5 million on prescribing costs, however this remains a volatile area and the IJB holds a “risk-based” fund of £3 million to mitigate future uncertainty.
- The net overspend of £2.1 million on social care services included an overspend in staff costs due to demand pressures for home support services and the agreed pay award.
- There was a transfer of £5.2 million from reserves to fund expenditure in the year. Without the transfer from reserves the underspend on healthcare services would have been £2.7 million and the overspend on social care services would have been £4.9 million, a net deficit of £2.2 million, in accordance with the position in the financial statements.



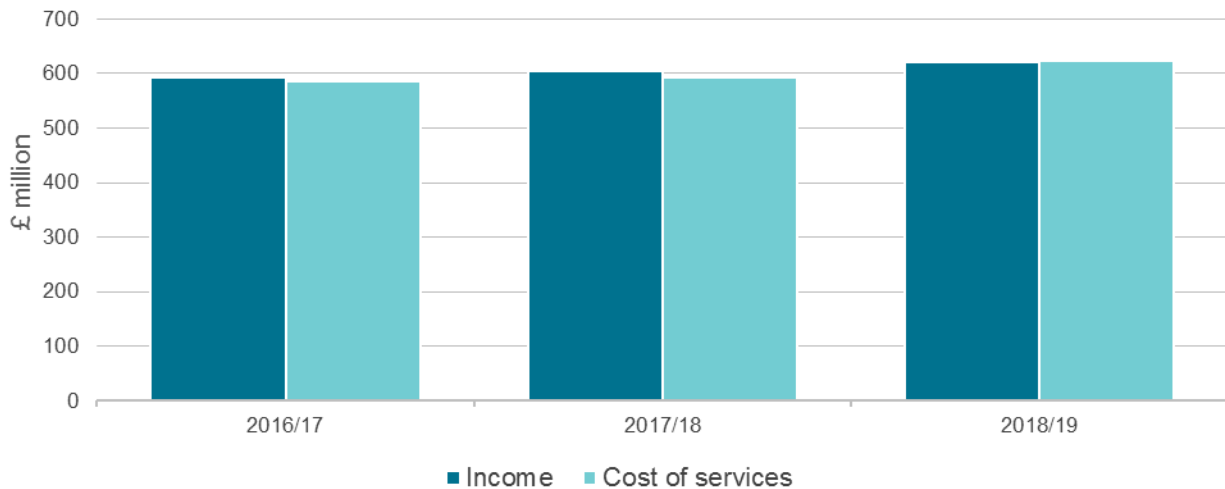
Recommendation 3

The presentation of financial monitoring reports should be reviewed to show the outturn reconciled to the movement on reserves.

40. [Exhibit 5](#) shows that 2018/19 is the first year since the IJB was established that annual income has not been sufficient to meet the expenditure incurred in the year and this trend is likely to continue into 2019/20.

Exhibit 5

Analysis of income and expenditure over last three years



Source: North Lanarkshire IJB Annual Accounts 2016/17 to 2018/19

The IJB achieved 87 per cent of the required efficiency savings in 2018/19 with further savings now being pursued

41. The IJB is required to make efficiency savings as part of its budget. In 2018/19 the IJB was expected to make efficiency savings of £6.3 million (NHSL - £1.7 million and NLC - £4.6 million). The IJB reported that partners achieved £5.5 million (or 87 per cent) of these savings in year.

The IJB plans to achieve further savings of £3.8 million in 2019/20 and to use a further £2.5 million of reserves

42. Further savings will need to be made in 2019/20. The financial plan identifies a funding gap of £7.3 million, with plans to bridge this including agreed savings (£3.8 million), base budget adjustments / re-alignment of recurring underspends (£1 million) and the use of uncommitted reserves (£2.5 million).

43. The uncommitted (or contingency) reserve reported at 31 March 2019 is only £53,000 ([Exhibit 6](#)). This is after taking account of the £2.5 million commitment approved in the 2019/20 financial plan, which has been categorised as a “risk-based” reserve.

44. The IJB approved a revised reserves strategy in June 2019. Reserves are now managed in the following categories:

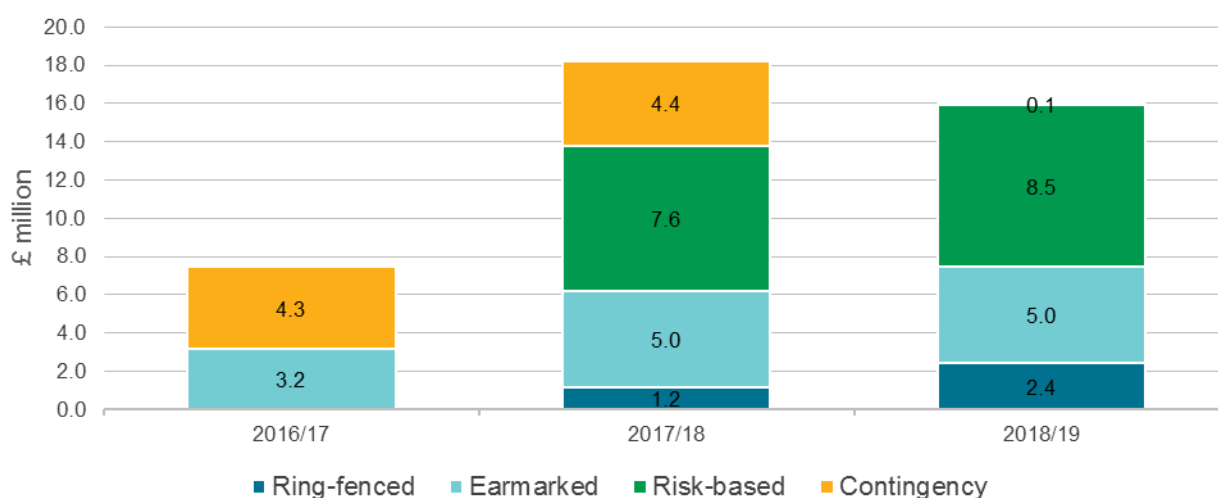
- Ring-fenced: funding received for a specific purpose
- Earmarked: known or predicted future expenditure needs
- Risk-based (new category): amounts set aside to protect against known risks e.g. volatility of prescribing costs and legislative changes
- Contingency: funds to cushion the impact of unexpected events.

45. [Exhibit 6](#) provides an analysis of the IJB’s general fund balance over the last three years. The draw down and re-allocation to other reserves from the contingency reserve in 2018/19 has left virtually no contingency reserve for future years.

Financial sustainability looks forward to the medium to 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

Exhibit 6

Analysis of general fund over last three years



Source: North Lanarkshire IJB Annual Accounts 2016/17 to 2018/19

46. In our 2017/18 annual audit report we recommended that the IJB review the information it has on earmarked reserves to ensure it can effectively scrutinise their planned use. This should include a clear purpose for the reserve, an estimate of the amount and timing of cash flows and appropriate approval. The 2019/20 reserves strategy provides details of the nature, amount and timing of the planned use of reserves. The transfers in and out of reserves have also been subject to approval by the Board.

47. The 2019/20 reserves strategy recognises that a contingency reserve of £53,000 is not sufficient to manage further cost pressures. It notes that in the absence of a sufficient contingency reserve, reliance requires to be placed on the Integration Scheme and the IJB Financial Regulations which set out the options for addressing overspends if a financial recovery plan is unsuccessful. This includes:

- An additional one-off contribution to the IJB from the overspending partner
- An additional contribution from the overspending partner that will be recovered from future underspends in that partner's contribution.

48. The IJB has £5.0 million in earmarked reserves and £8.5 million in "risk-based" reserves and may need to reconsider the use of these as part of any medium-term financial recovery plan, if it continues to deliver in-year deficits. Officers have already identified £0.9 million that could be reclassified as contingency reserve, subject to IJB approval.

The IJB does not have a medium or long term financial plan

49. Medium and long term financial planning is an important part of strong financial management. The development of a medium and long term financial plan for the IJB has been delayed. It is important that the IJB considers possible future funding scenarios and options for services in the medium to long term, taking into account the impact of changes in demand for services. This is especially relevant to North Lanarkshire IJB if it is to achieve a balanced budget in future which does not rely on applying reserves. If the IJB were to continue to utilise reserves to balance the budget at the rate approved in 2019/20 then it would deplete its "risk-based" and contingency reserves within 3 years by 2021/22.



Recommendation 4

The IJB should develop medium and long term financial plans to manage cost and demand pressures with its funding and service provision and demonstrate that it will move to balanced annual budgets.

The host bodies have sound systems of internal control in place

50. NLIJB does not have any financial systems of its own, instead it relies upon the financial systems of the host bodies to record all transactions.

51. As part of our audit approach we sought assurances from the external auditor of NHS Lanarkshire and North Lanarkshire Council (in accordance with ISA 402). Some control weaknesses were identified and the auditors adapted their audit procedures to obtain the assurances required for the respective audits.

The timing of internal audit reporting could improve to support effective scrutiny

52. Internal audit is provided by North Lanarkshire Council and NHS Lanarkshire. As part of our planning process we carried out an early assessment of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

53. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2018/19 we planned to consider the internal audit review of performance management and assurance mapping as part of our wider dimension work. A summary of the findings of the performance management review has been included at [paragraph 66](#). The assurance mapping exercise has been deferred while joint risk management arrangements are developed. There were no internal audit reviews in the year that are relevant to our financial statements audit work.

54. The timing of internal audit reporting could improve. The internal audit annual report, which includes the opinion on the effectiveness of the IJB's framework for governance, risk management and internal control for the year was not provided in time to support the preparation of the annual governance statement. However, this was presented to the Performance, Finance and Audit Committee on 27 August 2019.



Recommendation 5

The timing of internal audit work should be reviewed to ensure that the IJB is provided with the annual audit opinion earlier in the year.

The host bodies have appropriate arrangements for the prevention and detection of fraud and error

55. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. The IJB uses the financial systems of NHS Lanarkshire and North Lanarkshire Council and so anti-fraud arrangements in respect of the financial systems is the responsibility of these organisations. We have received assurances from the auditors of NHS Lanarkshire and North Lanarkshire Council (in accordance with ISA 402) and have no issues to bring to your attention.

Part 3

Governance, transparency and value for money



Main judgements

The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the IJB. Further improvements could be made by ensuring that papers for board and committee meetings are always publicly available.



The Integration Scheme has been revised with effect from 1 April 2019 to reflect the transfer of discretionary services for children, families and justice back to the council.

A wide ranging self-evaluation exercise has been carried out and progress against the agreed improvement actions should be monitored by the IJB.

The annual performance report was published in draft by the statutory deadline of 31 July.

Sound governance arrangements are in place and the review of integration arrangements provides an opportunity to implement improvements

56. The Board is supported by a Performance, Finance and Audit Committee. The Integration Scheme sets out the governance arrangements for membership of the IJB. Our observations at committee meetings throughout the year has found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members. A new chief executive of North Lanarkshire Council was appointed in September 2018 and since then there have been some significant changes to the service delivery model and corporate management team structure of the council which have had an impact on the IJB. The changes include the creation of an Education and Families Service, which prompted the transfer of discretionary functions for children, families and justice services back to North Lanarkshire Council from the IJB. More information can be found in the [Best Value Assurance Report](#) for North Lanarkshire Council that was published in May 2019.

57. The Integration Scheme has been revised with effect from 1 April 2019 to reflect the decision to transfer these services back to North Lanarkshire Council. An exercise to disaggregate the budgets for children, families and justice services is in progress. To date, £19.2 million has been identified that will be transferred from the budget of the IJB to the Education and Families Service of North Lanarkshire Council.

58. There has also been a change at a senior officer level within the IJB. A new Chief Officer took up post on an interim basis from 23 October 2018 and was permanently appointed on 25 June 2019.

59. The change to the delegated functions prompted a more detailed review of integration. The review was based on themed workstreams (finance, IT, strategic planning, governance, workforce planning, performance and operations), the national self-assessment tool developed in response to the Auditor General and Accounts Commission's report, *Health and social care integration: update on progress*, and the *Review of Progress with Integration of Health and Social Care* report by the Ministerial Strategic Group for Health and Community Care, and a structural review.

60. The findings were reported in June 2019 and some of the improvement actions identified are shown below. An action plan is being prepared and the IJB should ensure that it monitors progress against the plan.

- Create a Joint HR and Workforce Planning Forum to facilitate the creation of more integrated posts
- Develop a medium to long term financial strategy and consider the capacity of the Chief Financial Officer and the roles and responsibilities of the finance functions
- Review continuous improvement structures to maximise the use of available data to drive improvement (e.g. benchmarking)
- Continue to develop digital approaches within partner organisations to support integrated approaches
- The creation of two teams each consisting of three localities (previously six teams) to promote flexibility and economies of scale where required.

61. The IJB's relationships and partnership working with the third sector was highlighted as an area of good practice through the review. Community Capacity Building and Carer Support (CCB&CS) is the partnership's third sector delivery branch. It has recently undergone a review by the Improvement Service. The review found strengths in its strategic planning and focus on outcomes and recommended a re-branding exercise to promote the structure. The IJB has identified an action to share the CCB&CS as a model of good practice.



Recommendation 6

The IJB should be provided with regular updates to monitor progress against the improvement actions.

Meetings are held in public, but papers are not always available

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

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

63. All board and committee meetings are held in public and a notice of these meetings is placed on the North Lanarkshire Council website. It has been noted that some meeting papers are not always available on the North Lanarkshire Council website either in advance of, or following the meeting. To promote transparency, board and committee papers should be readily available to the public.



Recommendation 7

The papers for board and committee meetings should be available on the council's website in advance of the meetings.

A draft annual performance report was published by 31 July

64. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan. A draft annual performance report was published by 31 July 2019 in advance of it being approved by the IJB on 24 September 2019.

65. This includes a summary of 2018/19 performance against the six key performance indicators Measuring Performance Under Integration Framework. The latest available data shows:

- Accident and emergency attendances are up 2.9% year on year
- Emergency admissions have increased marginally by 0.3% in 2018/19
- Unscheduled bed days have decreased by 9.2% year on year
- Delayed discharge bed days are down 5.6% compared to last year
- The percentage of people spending the last six months of life in the community has increased by 2.4% over the last six years
- The number of people aged 75+ living unsupported at home has remained broadly consistent over the last five years in line with the IJB's target. The data for 2018/19 is not yet available.

66. Internal audit carried out a review of the IJB's performance management arrangements in the year and reported their findings to the Performance, Finance and Audit Committee on 27 August 2019. They concluded that the IJB's performance framework is generally adequate and effective and consistent with relevant requirements, guidance and good practice. Some areas for improvement were identified including the way performance information is presented to committee and the approval of targets. No areas were identified that require urgent management attention.

The IJB has arrangements to secure best value but some improvements have been identified

67. The audit findings included in this report comment on arrangements that have been put in place by the IJB to secure best value in areas such as financial management, governance and performance management, including self-assessment. While there is evidence of arrangements to secure best value, we have identified some areas for improvement and these are reported in the action plan at [Appendix 1](#)

68. Officers plan to prepare a best value framework during 2019/20 which will provide the IJB with overall assurance that best value is being delivered.

The IJB is participating in resilience arrangements with the host bodies to prepare for EU withdrawal

69. EU withdrawal is one of three risks classified as 'very high' on the IJB's risk register. The risk register is regularly reviewed and reported to the IJB. As the IJB does not directly incur expenditure or employ its own staff, it is heavily dependent on the preparations of NHS Lanarkshire and North Lanarkshire Council to mitigate the risks associated with EU withdrawal. The risk register notes that the IJB is fully participating in the resilience arrangements of the health board and the council.

70. We have taken assurance from the conclusions reported by the external auditors of NHS Lanarkshire and North Lanarkshire Council that both bodies are making reasonable preparations for EU withdrawal. On this basis, we have no specific risks to highlight.

National performance audit reports

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

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

Appendix 1

Action plan 2018/19



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Hosted Services</p> <p>The NLIJB Financial Regulations do not set out the arrangements for the management of financial resources for hosted services. The accounting policy is clear that the host is responsible for managing the overspends and underspends on these services and this is how the hosted services are being managed in practice.</p> <p>Risk</p> <p>There is a lack of clarity in the NLIJB Financial Regulations with the potential for uncertainty.</p>	<p>The NLIJB Financial Regulations should set out the arrangements that exist in practice for the management of financial resources for hosted services.</p>	<p>Agreed</p> <p>The NLIJB Financial Regulations will be updated to include the hosted services arrangements.</p> <p>Chief Financial Officer March 2020</p>
2	<p>Financial management</p> <p>Financial monitoring reports do not provide a forecast of the outturn position and the timing of meetings means that the IJB is not receiving a financial monitoring report until September, five months into the financial year. The 2018/19 outturn deficit did not appear until year end reporting.</p> <p>Risk</p> <p>Financial pressures are not identified and managed in a timely manner.</p>	<p>The Chief Financial Officer should work with partners and the IJB to improve the timing of financial reporting and outturn forecasting.</p>	<p>Agreed</p> <p>Arrangements will be confirmed with the NHSL partner to ensure a financial outturn is provided at the earliest opportunity.</p> <p>The timing of the financial reporting will be reviewed with both partners in order to further strengthen the financial framework.</p> <p>Chief Financial Officer March 2020</p>
3	<p>Financial monitoring reports</p> <p>The financial monitoring reports treat transfers from reserves as additional in-year funding. This is different from the presentation in the financial statements. The year end financial monitoring report describes a surplus of £3.0m, which was a deficit of</p>	<p>The presentation of financial monitoring reports should be reviewed to show the outturn reconciled to the movement on reserves.</p>	<p>Agreed</p> <p>The financial monitoring reports will be further developed to include a reconciliation of the financial monitoring report with the projected outturn in the financial statements.</p> <p>Chief Financial Officer</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	£2.2m in the financial statements.		March 2020
	<p>Risk</p> <p>The true financial position of the IJB is unclear.</p>		
4	<p>Financial sustainability</p> <p>There are no medium or long term financial plans in place. These are critical if the IJB is going to be able to deal with rising demand pressures alongside financial constraints.</p>	<p>A long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be developed. These should include robust scenario plans to inform decision making (best, worst, most likely).</p>	<p>Agreed</p> <p>A medium to long term financial strategy will be finalised.</p> <p>Chief Financial Officer</p> <p>December 2019</p>
	<p>Risk</p> <p>The IJB is not planning adequately over the medium to long term to manage or respond to significant financial risks.</p>		
5	<p>Internal audit</p> <p>Internal audit did not report their findings for the year until August 2019, which was after the target date of June 2019.</p>	<p>The timing of internal audit work should be reviewed to ensure that the IJB is provided with the annual audit opinion earlier in the year.</p>	<p>Agreed</p> <p>Discussions will be held with management to agree target timescales for planned Internal Audit work in 2019/20.</p> <p>Chief Financial Officer</p> <p>October 2019</p>
	<p>Risk</p> <p>Internal audit are unable to provide the IJB with the assurances it requires.</p>		
6	<p>Review of integration</p> <p>A self-evaluation of integration arrangements has been carried out by the IJB. This identified a number of improvement actions and an action plan will be developed to take these forward.</p>	<p>The plan developed should include clear and measurable actions to address the improvements identified. The IJB should be provided with regular updates to monitor progress against the plan.</p>	<p>Agreed</p> <p>The agreed action plan will be implemented and regular updates will be provided to the IJB to enable progress to be monitored.</p> <p>Chief Officer</p> <p>March 2020</p>
	<p>Risk</p> <p>The IJB does not take the necessary steps to implement the new integration arrangements.</p>		
7	<p>Transparency</p> <p>We identified instances where papers for board and committee meetings were not available to the public.</p>	<p>To promote transparency the papers for board and committee meetings should be available on the council's website in advance of the meetings.</p>	<p>Agreed</p> <p>The papers for board and committee meetings will be available on the website in advance of the meetings.</p> <p>Chief Officer</p> <p>September 2019</p>
	<p>Risk</p>		



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>The IJB does not evidence openness and transparency in the decisions it takes and its use of resources.</p>		
Follow up of prior year recommendations			
8	<p>Hosted Services</p> <p>The NLIJB Financial Regulations do not set out the arrangements for the management of financial resources for hosted services. The accounting policy is clear that the host is responsible for managing the overspends and underspends on these services and this is how the hosted services are being managed in practice.</p> <p>Risk</p> <p>There is a lack of clarity in the NLIJB Financial Regulations with the potential for disagreement in the future.</p>	<p>The NLIJB Financial Regulations should set out the arrangements that exist in practice for the management of financial resources for hosted services.</p>	<p>Outstanding - refer to point 1</p> <p>The review of the Financial Regulations has been delayed because of the review of the Integration Scheme. In the interim, the IJB has endorsed the principles of the Integrated Resource Advisory Group guidance that states that the lead partner for any hosted services is responsible for managing any overspends.</p>
9	<p>Financial Reporting - timing</p> <p>There have been no financial monitoring reports on the 2018/19 budget between April and July 2018. This is consistent with previous years, with information on the IJB spend unavailable to members in the first 5 months of the year.</p> <p>Risk</p> <p>Members are unable to scrutinise financial monitoring reports and any corrective actions during the first five months of the financial year.</p> <p><i>This issue was reported in 2016/17 but has been updated.</i></p>	<p>The NLIJB Chief Financial Officer is responsible for the financial management, administration and governance of the IJB.</p> <p>NLIJB should continue to work with its partner bodies to improve the quality of the information on which it bases its budget and financial monitoring reports.</p>	<p>Outstanding - refer to point 2</p> <p>The schedule of meetings still does not support early reporting of the financial position in the first quarter of the year.</p> <p>Officers have committed to ensuring that the forward programme of meetings for 2019 is more effectively scheduled.</p>
10	<p>Financial Reporting – accuracy</p> <p>The outturn financial projections moved by £10 million from the beginning of the year to the final outturn position and the Chief Financial Officer recognises that further improvements could be</p>	<p>The NLIJB Chief Financial Officer is responsible for the financial management, administration and governance of the IJB.</p> <p>NLIJB should continue to work with its partner bodies to improve the quality of the information on which it bases</p>	<p>Outstanding - refer to point 2</p> <p>Reliance is placed on the budgetary control arrangements each partner has in place. Officers also recognise that many of the factors impacting on the year-end outturn for both health and</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>made to the accuracy of budgetary control procedures.</p> <p>Risk</p> <p>The value of the budget reporting process is undermined if it is not a good indicator of the year end outturn.</p> <p><i>This issue was reported in 2016/17 but has been updated.</i></p>	<p>its budget and financial monitoring reports.</p>	<p>social care services are uncertain.</p> <p>Changes in the projected outturn across the partnership are reported to the IJB as soon as they are confirmed. The financial monitoring arrangements will continue to be improved in 2019/2020.</p>
11	<p>Earmarked Reserves</p> <p>The information provided to members on earmarked reserves does not include detail on the amount and timing of the cashflows. There are also a large proportion of the earmarked reserves that were not subject to member approval.</p> <p>Risk</p> <p>Members may not be clear on the purpose of earmarked funds held by the IJB and when the costs will be incurred and this may affect the accuracy of medium/long term planning.</p>	<p>NLIJB should review the information provided on earmarked reserves to ensure it can effectively scrutinise their planned use annually.</p> <ul style="list-style-type: none"> • The purpose should be clear • The amount and timing of future cashflows should be defined • It should be subject to appropriate approval/scrutiny. 	<p>Complete</p> <p>The information on ring-fenced and earmarked reserves has improved to include detail on the amount and timing of the cashflows. The reserves strategy is approved by the IJB.</p>
12	<p>Medium to Long term Financial Plans</p> <p>There are no medium to long term financial plans in place. Audit Scotland is encouraging councils and health boards to develop medium and long term financial plans and we expect IJBs to do this too.</p> <p>Risk</p> <p>NLIJB is not planning adequately over the medium to long term to manage or respond to significant financial risks.</p> <p><i>This issue was reported in 2016/17</i></p>	<p>We recommend that a long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) is prepared. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).</p>	<p>Ongoing - refer to point 4</p> <p>Work is being progressed on the medium to long term financial strategy and an update will be presented to a future meeting of the Performance, Finance and Audit Committee. The disaggregation of the children and justice services is also being finalised. This will impact on the future financial strategy for the services which remain delegated to the IJB.</p>
13	<p>Annual Performance Report</p> <p>We reviewed the contents of 2017/18 annual performance report and found that the financial information does not</p>	<p>The contents of the annual performance report should be improved to include information about financial performance analysed by locality.</p>	<p>Complete</p> <p>Information about the financial performance analysed by category has been included in the 2018/19 annual performance report.</p>



No. **Issue/risk**

Recommendation

**Agreed management
action/timing**

fully comply with the 2014
Regulations.

Risk

NLIJB is not fulfilling its
responsibilities in relation to
public performance reporting.

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<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 significant in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements.</p>	<ul style="list-style-type: none"> Assurance from host body auditors on the accuracy and completeness of year end financial reports. Detailed testing of significant adjustments at year end. On-going review of financial position. 	<ul style="list-style-type: none"> The host body auditors provided assurances on the accuracy and completeness of the financial reports used to prepare the accounts. We tested a sample of significant year end adjustments and no issues were identified. The financial position was supported by reporting during the year.
<p>2 Remuneration report</p> <p>There has been a change at senior officer level in the year with Ross McGuffie taking on the role of Interim Chief Accountable Officer.</p>	<ul style="list-style-type: none"> Early engagement with Chief Financial Officer to ensure that the remuneration report is prepared in accordance with relevant guidance. Supporting documentation from the North Lanarkshire Council payroll system. 	<ul style="list-style-type: none"> Current Chief Officer: agreed the disclosures to the guidance set out in Finance Circular 2008/11 and supporting documentation from North Lanarkshire Council's payroll system. No issues identified. Former Chief Officer: the audit procedures were adapted in the year. Formal assurances were obtained from the auditors of North Lanarkshire Council on the appropriate remuneration disclosures for the former Chief Officer and issues identified. These have been reflected in the audited remuneration report. Refer to Exhibit 3
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial management</p> <p>Our 2017/18 annual audit of the Integration Joint Board identified a number of required</p>	<ul style="list-style-type: none"> Ongoing review of financial monitoring reports 	<ul style="list-style-type: none"> Review of the 2018/19 financial monitoring reports found that the timing of the first report could still improve and

Audit risk	Assurance procedure	Results and conclusions
<p>improvements in this area including:</p> <ul style="list-style-type: none"> • timing of the quarter 1 financial report, • availability of year end forecasts, • clarity on the treatment of over and underspends on hosted services <p>There is a risk that financial pressures are not identified and managed in a timely manner. There is also potential for disagreement between host bodies at the year end if the responsibility for the management of financial resources is not clear.</p>	<ul style="list-style-type: none"> • Review and report on progress against 2017/18 audit recommendations. 	<p>year end forecasts were not provided.</p> <ul style="list-style-type: none"> • The review of the Financial Regulations has been delayed because of the review of the Integration Scheme. In the interim, the IJB has endorsed the principles of the Integrated Resource Advisory Group guidance that states that the lead partner for any hosted services is responsible for managing any overspends. There was an underspend on services hosted by the IJB in 2018/19. <p>The risks over financial management were again identified and reported.</p> <p>Appendix 1</p>
<p>4 Financial sustainability</p> <p>There are no medium to long term financial plans in place. Audit Scotland is encouraging councils and health boards to develop medium and long term financial plans and we expect Integration Joint Boards to do this too.</p> <p>There is a risk that the Integration Joint Board is unable to manage and respond to significant financial risks, other than on a short term basis.</p>	<ul style="list-style-type: none"> • Review and report on progress against 2017/18 audit recommendation. 	<ul style="list-style-type: none"> • The IJB is still developing its medium to long term financial plan. <p>The risks over financial sustainability were again identified and reported, with added relevance given the in-year deficit and reliance on reserves to balance future budgets.</p> <p>Appendix 1</p>

Appendix 3

Summary of national performance reports 2018/19

		 2018/19 Reports	
Local government in Scotland: Challenges and performance 2018		Apr	
Councils' use of arm's-length organisations		May	 Scottish Fire and Rescue Service: an update
Scotland's colleges 2018		Jun	
		Jul	 The National Fraud Initiative in Scotland 2016/17
Forth Replacement Crossing		Aug	 Major project and procurement lessons
Children and young people's mental health		Sept	 Superfast broadband for Scotland: further progress update
NHS in Scotland 2018		Oct	
Health and social care integration: update on progress		Nov	 Local government in Scotland: Financial overview 2017/18
		Dec	
		Jan	
		Feb	
		Mar	 Local government in Scotland: Challenges and performance 2019

Reports relevant to Integration Joint Boards

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

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

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

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

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

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

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

North Lanarkshire IJB

2018/19 Annual Audit Report

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