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A meeting of the **Health & Social Care Integration Joint Board Audit Committee** will be held on
Monday 27 March 2017 at 10.00am in Committee Room 2, Scottish Borders Council

AGENDA		
1.	ANNOUNCEMENTS AND APOLOGIES	
2.	DECLARATIONS OF INTEREST	
3.	MINUTES OF PREVIOUS MEETING (Pages 1 - 6) Monday 26 September 2016. (Copy attached.)	
4.	MATTERS ARISING (Pages 7 - 10) Action Tracker. (Copy attached.)	
5.	FINANCIAL GOVERNANCE AND MANAGEMENT (Pages 11 - 30) (Copy attached.)	
6.	INTERNAL AUDIT ANNUAL PLAN 2017/18 (Pages 31 - 36) (Copy attached.)	
7.	EXTERNAL AUDIT ANNUAL PLAN 2016/17 (Pages 37 - 48) (Copy attached.)	
8.	ANY OTHER BUSINESS	
9.	DATE AND TIME OF NEXT MEETING Monday 26 June 2017 at 10.00am in Committee Room 2, Scottish Borders Council	

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Minutes of a meeting of the **Scottish Borders Health and Social Care Integration Joint Board Audit Committee** held on Monday 26th September 2016 at 3.45pm in Committee Room 3, Scottish Borders Council, Newtown St Boswells.

Present: Cllr J Mitchell Mr J Raine
Mr D Davidson

In Attendance: Mr P McMenamin Mrs J Stacey
Mrs S Manion Miss I Bishop
Mr H Harvie, KPMG

1. Appointment of Chairman: Mr John Raine proposed Cllr John Mitchell as Chair of the Committee. Mr David Davidson seconded the proposal.

Cllr John Mitchell was formally appointed Chair of the Scottish Borders Health and Social Care Integration Joint Board Audit Committee.

2. Apologies and Announcements

Apologies had been received from Cllr Graham Garvie.

The Chair confirmed the meeting was quorate.

The Chair welcomed members of the Committee to the first meeting.

The Chair welcomed Mr Hugh Harvey from KPMG to the meeting.

3. Declarations of Interest

The Chair sought any verbal declarations of interest pertaining to items on the agenda.

The **SCOTTISH BORDERS HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** noted there were none.

4. Scottish Borders Health and Social Care Integration Joint Board Internal Audit Annual Plan 2016/17

Mrs Jill Stacey spoke of the proposed strategic priorities for the delivery of Internal Audit assurance and support services, as well as the proposed Internal Audit programme of work for 2016/17 to enable preparation of an annual internal audit opinion on the adequacy of the arrangements for risk management, governance and control of the delegated resources. She further commented on financial governance, and governance arrangements around the Integrated Care Fund.

The Chair enquired if 35 days was an adequate period and sought assurance that all staff involved were suitably qualified. Mrs Stacey confirmed that 35 days should be adequate for the specified work, with the proviso of some flexibility if required. In terms of assurance she advised that core audit resources in both Scottish Borders Council and NHS Borders would be utilised, and confirmed that 3 senior auditors would be used in the first instance, all of which were fully qualified.

Mr David Davidson recorded that an informal meeting had taken place the previous week where a desire had been expressed for information to be received on a selective basis from the audit systems in both Scottish Borders Council and NHS Borders. He suggested a meeting be called between the respective Audit Committee Chairs to filter out what it was that the Scottish Borders Health & Social Care Integration Joint Board needed to look at. He suggested Mr Paul McMenamin be nominated as the gateway for information gathering from both organisations.

Mr John Raine commented that in regard to the Internal Audit Annual Plan it would be premature in the first year to distil much evidence as to whether outcomes were being achieved and whether resources were being shifted as that would take place over time. He suggested Internal Audit may prefer to do a stock check on achieving those priorities and in terms of governance see to what extent they were being achieved.

Mrs Susan Manion welcomed Mr Raine's suggestion and advised that in preparation an appropriate performance management process was required to ensure progress could be demonstrated.

Further discussion focused on: review of the integrated care fund; review of social care monies; robustness of financial governance arrangements; review how commissioning actually rolls out and how directions are provided.

The **SCOTTISH BORDERS HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** approved the Internal Audit Annual Plan 2016/17 for Scottish Borders Health and Social Care Integration Joint Board as detailed in Appendix 1 of the report.

5. Scottish Borders Health and Social Care Integration Joint Board Annual Audit Report 2015/16

Mr Hugh Harvie gave an overview of the content of the annual audit report from the Health and Social Care Integration Joint Board's External Auditors, KPMG. He highlighted several elements including: financial transactions were limited as it was the first year accounts; confirmation of all appropriate disclosures; and section 4 contained areas beyond the financials.

The Chair welcomed the unqualified status of the accounts and suggested consideration be given to a build up of reserves in due course.

Mr Paul McMenamin suggested it would be remiss if he did not raise the matter of mitigation of the risk of associated and arising funding constraints and emerging pressures across the health and social care pathway.

A discussion then ensued and several comments were made including: reserve fund; development session on the role of the Audit Committee for lay members to understand its function in terms of money, delivery standards, etc; future annual accounts will show a more substantial flow of resource to and from the partnership; shared costs of the Chief Officer post; at the end of each financial year a cost payment resource transfer to a percentage share of people supporting the partnership, ie the Board Secretary, Chief Financial Officer, Head of Internal Audit, etc will be drawn up; and it was a requirement of the remuneration report was to show the pension contributions and accrued benefits of the named officers.

The Chair enquired about the audit committee membership arrangements as set out on page 12 and Mr McMenamin assured the Committee the statement was factually correct in terms of the audit committee having been established at that time, although it had not formally met.

The **SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** considered and approved the Annual Audit Report 2015/16.

Mrs Susan Manion left the meeting.

6. Scottish Borders Health and Social Care Integration Joint Board Annual Report and Accounts 2015/16

Mr Paul McMenamin gave an overview of the content of the pension fund annual report and statement of accounts for the year ended 31 March 2016.

Several issues were raised during discussion including: the revenue and capital financial planning process between Scottish Borders Council and NHS Borders; costed locality plans to demonstrate fair share of allocation of resources; final audit and risk arrangements to be presented to the October meeting of the Scottish Borders Health & Social Care Integration Joint Board; more technical elements to be put in place; and overall pleased with where the partnership were in compliance with legislation and guidance, although there was further work to be completed to demonstrate full compliance.

The **SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** considered the audited Health & Social Care Integration Joint Board (IJB) Statement of Accounts for the operating activities of the IJB from the period of its establishment (6 February 2016) to 31 March 2016, and approved the Accounts for signature by the appropriate individuals and for submission to the IJB.

The **SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE** considered the conclusions and recommendations made within the IJB Annual Audit Report for the year-ended 31 March 2016 and the management actions identified in response, and recommended the Audit Report for submission to the IJB.

7. Scottish Borders Health and Social Care Integration Joint Board Financial Governance and Management

Mr Paul McMenamin gave an update on the financial governance and management arrangements, and progress made to date on compliance assessment with

legislation/recommended best practice within the Scottish Borders Health and Social Care Integration programme.

The Chair challenged the timescales for the 4 high risk areas identified within the IRAG guidance that required attention. Mr McMenamin advised that they related to the financial plan and he believed it would be an evolutionary process and would be guided by what would happen nationally.

Mr David Davidson suggested from a Health & Social Care Integration Joint Board perspective that the Health & Social Care Integration Joint Board would wish to be aware of what the partners were doing in terms of efficiencies and the potential impacts of those efficiency plans on each other and the services the Health & Social Care Integration Joint Board had commissioned.

Mr McMenamin commented that it was imperative that the process was not just cohesive but was integrated and the barriers caused by financial pressures would continue across all partners coupled to organisational planning differences and timeframes. He advised that periodic meetings between the 3 Financial Officers/Directors had been set up to discuss such issues and to harmonise processes so that the budget monitoring report would provide the budget position, pressures on the budget and a jointed up recovery and remedial plan. Mr Davidson thanked Mr McMenamin for his assurance.

Mr John Raine enquired how the high risk action on quality assurance on set aside budgets could be reduced. Mr McMenamin advised that he had not yet reviewed that element of the budget, however part of his role was one of due diligence on the wider integrated budget and whilst he knew what the global sum was he was not aware of how it was made up. He assured the Committee that he would complete the action by the end of March 2017 and that it would form part of the financial planning process for 2017.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE asked Mr McMenamin to bring an update report to the next meeting.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE noted the further progress made to date in the development and implementation of the financial arrangements which were required to be in place across NHS Borders, Scottish Borders Council and the Health and Social Care Partnership.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE noted the plan of actions for the remaining work requiring completion during the remainder of 2016/17

8. Accounts Commission reports 'Health and Social Care Integration'

Mrs Jill Stacey highlighted several key messages within the report including: looking at wider stakeholders; actions for Scottish Government in terms of leading a policy shift for health and social care integration; areas of risk around financial sustainability; financial management; national reports; and audit assignments.

The Chair sought clarity on whether the audit would look at the overspends on prescribing. Mrs Stacey advised that it would not as the Health & Social Care Integration Joint Board had commissioned NHS Borders to provide those services and therefore it would be for NHS Borders to resolve.

The Chair commented that the Health & Social Care Integration Joint Board may wish to challenge areas of overspend and seek assurance in regard to mitigation plans and actions.

Mr David Davidson assured the Committee that most of the difficulties with the prescribing budget were due to changing prices on the international market and not changes in prescribing habits. Mr John Raine confirmed that the Health Board had set different criteria and thresholds for prescribing but was unable to enforce them on GPs as they were independent contractors. He further advised the Committee that it was a national issue.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE considered and noted the key messages within the reports.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE asked that Mrs Stacey review the key recommendations within both reports and bring back an action plan and progress on each to the next meeting.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE asked that Mrs Stacey review the key recommendations within both reports and bring the recommendations to the attention of the Scottish Borders Health & Social Care Integration Joint Board at its December meeting.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE sought a self evaluation of the Scottish Borders Health & Social Care Integration Joint Board.

9. Any Other Business

9.1 Meeting Timetable: Mrs Jill Stacey suggested the Committee may wish to meet in March, June and September each year.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed to meet in March, June and September each year and asked the Board Secretary to set the meeting dates.

9.2 External Auditors: Mr Hugh Harvie advised that it would be his last Scottish Borders Health & Social Care Integration Joint Board Audit Committee meeting as the external auditors were due for rotation. He confirmed the new external auditors for the partnership would be Audit Scotland.

The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE thanked Mr Harvie.

10. Date and Time of next meeting

The Chair confirmed that the next meeting of the Scottish Borders Health and Social Care Integration Joint Board Audit Committee would be held in March 2017.

The meeting concluded at 5.05pm.

Signature:
Chairman

DRAFT



SCOTTISH BORDERS HEALTH & SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE: Action Tracker

Meeting held 26 September 2016

Agenda Item: Scottish Borders Health and Social Care Integration Joint Board Financial Governance and Management

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
1	7	The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE asked Mr McMenamin to bring an update report to the next meeting.	Paul McMenamin	March 2017		

Agenda Item: Accounts Commission reports 'Health and Social Care Integration'

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
2	8	The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE asked that Mrs Stacey review the key recommendations within both reports and bring back an action plan and progress on each to the next meeting.	Jill Stacey	March 2017		

Agenda Item: Accounts Commission reports 'Health and Social Care Integration'

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
3	8	The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE asked that Mrs Stacey review the key recommendations within both reports and bring the recommendations to the attention of the Scottish Borders Health & Social Care Integration Joint Board at its December meeting.	Jill Stacey	December 2016		

Agenda Item: Accounts Commission reports 'Health and Social Care Integration'

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
4	8	The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE sought a self evaluation of the Scottish Borders Health & Social Care Integration Joint Board.	Jill Stacey	March 2017		

Agenda Item: Any Other Business – Meeting Timetable

Action Number	Reference in Minutes	Action	Action by:	Timescale	Progress	RAG Status
5	9.1	The SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD AUDIT COMMITTEE agreed to meet in March, June and September each year and asked the Board Secretary to set the meeting	Iris Bishop	October 2016	Complete: Dates agreed and issued by email 05.10.16	G

		dates.					
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KEY:	
	Overdue / timescale TBA
	<2 weeks to timescale
	>2 weeks to timescale
Blue	Complete – Items removed from action tracker once noted as complete at each H&SC Integration Joint Board meeting

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IJB Audit Committee
27.03.17



UPDATE: COMPLIANCE ASSESSMENT WITH LEGISLATION AND RECOMMENDED BEST PRACTICE

Aim

- 1.1 The aim of this report is to provide the committee with an update of progress made across the Scottish Borders Health and Social Care Integration (H&SCI) programme with regard to compliance with the legislative provisions within The Public Bodies (Joint Working) Scotland Act 2014 and the subsequent recommended best practice guidance issued by the Scottish Government / Integrated Resources Advisory Group (IRAG).
- 1.2 These provisions relate to the establishment of the arrangements for Financial Governance, Planning, Management and Reporting within NHS Borders, Scottish Borders Council and the Scottish Borders Health and Social Care partnership.

Background

- 2.1 The last report of this nature made to the IJB Audit Committee in September 2016. Within the report, a summary of the key provisions contained within the IRAG guidance, together with the progress made in their establishment was presented. These provisions pertained to the arrangements requiring establishment and other key considerations across a range of areas:
 - Governance Structure
 - Assurance and Governance
 - Financial Reporting
 - Financial Planning and Financial Management
 - VAT
 - Capital and Asset Management
 - Accounting Standards
- 2.2 Previously reported, of the 69 key provisions identified, 46 (67%) had been fully implemented. Of the remaining 23,

8 were deemed to be low risk / materiality
10 were deemed to be medium-risk / materiality
2 were deemed to be high-risk / materiality
3 did not currently apply

Progress Update

- 3.1 Since the previous report, the key areas where progress has been made primarily relates to those covering:

- Audit and Risk Management
- Strategic Financial Planning
- Governance

3.2 Specifically, in relation to audit and risk management, a number of developments have been made:

- The IJB held the inaugural meeting of its Audit Committee on 26 September 2016
- The IJB Audit Committee approved the partnership's 2016/17 annual Audit Plan on 26 September 2016
- Work has continued to develop the partnership's strategic and operational risk registers and whilst these remain unapproved by the Audit Committee, the work is almost concluded

3.3 The Health and Social Care partnership has yet to establish a financial planning process fully integrated with those of its partners. Work continues however to develop an approach more aligned with the provisions within the partnership's Scheme of Integration. To enable this, the partnership's Executive Management Team (EMT) has considered on a number of occasions and continues to implement ways in which a more joined up approach can be undertaken in delivering a robust medium-term financial plan for the partnership, reflective of its priorities. As part of this, the IJB approved, at its meeting of 27 February 2017, a strategy for integrated financial planning. Accompanying this report was a Reserves Policy for the partnership, which the IJB also approved.

3.4 The governance arrangements under which the partnership operate have also been subject to review during its first year of operation, both generally and particularly those pertaining to the approval of transformation and redesign projects and the investment of integrated care funding.

3.5 As a result of this progress therefore, a number of the outstanding principles can now be classified as complete or update to reflect their status towards completion. An updated schedule of progress made against IRAG provisions is detailed in Appendix 1.

Outstanding Provisions

4.1 At March 2017, of the 69 key provisions identified, 53 (77%) have been fully implemented. Of the remaining 16,

9 were deemed to be now low risk / materiality
 5 were deemed to be medium-risk / materiality
 1 were deemed to be high-risk / materiality
 1 did not currently apply

High

4.2 The main area of immediate required action relates to a full review of financial regulations within NHS Borders and Scottish Borders Council now being significantly overdue, in order to ensure adequacy of controls over the resources delegated to the Health and Social Care partnership and internal arrangements for

ensuring that these resources are aligned with the directed priorities of the IJB are in place. This includes ensuring consistency and the flow of approval for budget virement. (Q1, 2017/18)

Medium

- 4.3 Further work remains to be undertaken to identify all non-current assets held by partners required to deliver the partnership's Strategic Plan. This has yet to be formally defined (Q2, 2017/18). Additionally, work is planned for early 2017/18 to examine the basis for and process of resource transfer and how resources are used to fund the delivery of social care, with a view to baselining this arrangement and formalising within core delegated budget to the IJB (Q1, 2017/18). A similar exercise is required in relation to hosted services (Q1, 2017/18).
- 4.4 Work is also planned in early 2017/18 to analyse how the IJB allocates resources across the expected outcomes of its Strategic Plan. This will clearly show the degree of resource consumption expected to be required and provide a baseline from which future resource shifts in line with priorities can be measured (Q1, 2017/18). This work will also include analysis of resources planned across each locality of the partnership (Q1, 2017/18).

Low

- 4.5 There are a range of low-materiality tasks that remain outstanding at the current time in order to fully deliver the remaining provisions. These are all covered by the key actions detailed below:
- Agreement of the basis of and permanent appointment to the role of chief financial officer (Q1, 2017/18)
 - Further development of capital planning arrangements across partners, reflective of the strategic needs of the partnership (Q2, 2017/18)
 - A formally agreed arrangement for insurance, specific to the Integration Joint Board (Q1, 2017/18)
 - Further implementation and delivery of the medium-term integrated financial planning strategy approved by the partnership in February 2017 (Q2, 2017/18)
 - Agreed consistency in application of a monthly accrual accounting policy between partner organisations (Q2, 2017/18)
 - The arrangements for virement still require specification within partner organisations' Schemes of Delegation (Q2, 2017/18)
 - Further work developing the methodology for and assurance over the large hospital budget set-aside is required (Q1, 2017/18)
 - How resources, if appropriate, can shift between the hospital sector and other health and social care functions, in line with demand, requires further development (Q2, 2017/18)

Recommendation

The Integration Joint Board Audit Committee is asked to note the report.

Background Papers:

Report to NHS Borders Audit Committee 19 September 2016

Report to Scottish Borders Council Audit Committee 26 September 2016

Policy/Strategy Implications	There are no policy or strategy implications directly arising from this report.
Consultation	Consultation on this report is currently being undertaken and any outcomes will be reported to the committee for noting when it is presented.
Risk Assessment	The approach to risk management is set out in the Scheme of Integration and the partnership currently is finalising its strategic and operational risk registers. There are no risk implications to the partnership directly arising from the outcomes of this report.
Compliance with requirements on Equality and Diversity	There are no adverse equality implications from any of the factors included within this report. The integration of health and social care aims to overcome some of the current barriers between health and social care services, to improve pathways of care and outcomes to the population of the Scottish Borders.
Resource/Staffing Implications	There are no costs attached to any of the recommendations contained in this report. The issues raised are consistent with professional guidance and the partnership's Scheme of Integration and the report is intended to provide assurance over the deliverability of the Strategic Plan through sound governance and robust financial planning, management and reporting.

Approved by

Name	Designation	Name	Designation
Elaine Torrance	Chief Officer		

Author(s)

Name	Designation	Name	Designation
Paul McMenamin	Chief Financial Officer		

 Scottish Borders Health and Social Care PARTNERSHIP	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #009640; color: white; padding: 2px;">Complete</td></tr> <tr><td style="background-color: #FFFF00; color: black; padding: 2px;">Complete, Minor Remaining Actions Profiled</td></tr> <tr><td style="background-color: #FFD700; color: black; padding: 2px;">OnTrack, Actions Planned</td></tr> <tr><td style="background-color: #FF0000; color: white; padding: 2px;">Requires Further Action</td></tr> <tr><td style="background-color: #CCCCCC; color: black; padding: 2px;">Does not currently apply</td></tr> </table>	Complete	Complete, Minor Remaining Actions Profiled	OnTrack, Actions Planned	Requires Further Action	Does not currently apply	 NHS Borders	 Scottish Borders COUNCIL
Complete								
Complete, Minor Remaining Actions Profiled								
OnTrack, Actions Planned								
Requires Further Action								
Does not currently apply								

SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
1. DELEGATION TO AN IJB					
1.1 INTEGRATION SCHEME AND STRATEGIC PLAN					
1	22/1.1.1	The Integration Scheme sets out the detail of the integration arrangement, as agreed by the Local Authority and Health Board and submitted to Scottish Ministers for approval	Detailed in Final Scheme 151215	None	Received ministerial approval mid-2015 s2-6 set out governance and delivery arrangements, functions delegated and accountability / etc
2	22/1.1.1	The SOI will cover a number of matters provided for by the legislation and Regulations and for finance related matters these will include: • Functions which are to be delegated to the Integration Joint Board by the Health Board and Local Authority; • The method for the determination of the resources to be made available by the Local Authority and Health Board to the Integration Joint Board for the delegated functions; • Reporting arrangements between the Integration Joint Board, Health Board and Local Authority; and • Financial management arrangements.	SOI appendix 2 and 3 outlines functions delegated Method for determining resource allocation and treatment of variations is detailed in SOI s8.	None	Also covers arrangements in relation to large hospital budgets set-aside
3	22/1.1.3	Integration Scheme should also define those services which are not delegated to the Integration Joint Board but are managed by the Chief Officer on behalf on the partner Local Authority and Health Board.	There are no services of this nature managed by the Chief Officer	None	This does not preclude such an arrangement taking place in the future
1.2 CHIEF OFFICER					

SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
4	22/1.2.1	The Integration Joint Board must make arrangements for the proper administration of its financial affairs and appoint an officer with this responsibility, (the Integration Joint Board financial officer)	IJB Chief Financial Officer appointed on an interim basis from 1st March 2016	Permanent appointment will be made during 2017	The Chief Financial Officer will be responsible for developing a number of further governance and operational planning, management and reporting arrangements going forward

1.3 FINANCIAL MODEL

5	23/1.3.0.1	The Health Board and Local Authority will delegate functions and make payments to the Integration Joint Board in respect of the delegated functions and the Health Board will also set aside amounts in respect of large hospitals for use by the Integration Joint Board.	This is set out in section 8 of the SOI. Specifically, 8.3/8.4 set out the provisions for making payments to the IJB whilst 8.5 sets out the method for determining the amount set aside for large hospital services.	None	Amount delegated / Set-aside is subject to due diligence process and assessment of sufficiency of resources when compared to current spend levels and current and future risks
6	23/1.3.0.1	The Integration Joint Board will produce the Strategic Plan for the use of these resources and give direction and make payment where relevant to the Health Board and Local Authority for delivery of the services in line with the Strategic Plan.	Strategic Plan approved 7th March 2016 Initial Directions issued April 2016		
7	23/1.3.1.1	Resources within the scope will comprise: <ul style="list-style-type: none"> • The payment made to the Integration Joint Board by the Local Authority for delegated adult social care services (A); • The payment made to the Integration Joint Board by the Health Board for delegated primary and community healthcare services and for those delegated hospital services which will be managed by the Chief Officer (B); and • The amount set aside by the Health Board for delegated services provided in large hospitals for the population of the Integration Joint Board (C). 	This is explicitly stated within the SOI 3.3 and sections 8.3-8.5 clearly reflect that this will be the case. Figure 1 P24 graphically reflects this - also detailed within Appendices 2 and 3.	None	3 areas of resource (A+B+C) constitute all available resources supporting the delivery of the Strategic Plan, whilst only A+B form part of the delegated budget Rated green in anticipation of IJB approval on 30th March

 Scottish Borders Health and Social Care PARTNERSHIP	Complete	Complete, Minor Remaining Actions Profiled	OnTrack, Actions Planned	Requires Further Action	Does not currently apply
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SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
8	24/1.3.1.2	The Integrated Budget comprises of parts (A) and (B).	This is explicitly stated within the SOI 3.3 and sections 8.3-8.5 clearly reflect that this will be the case. Figure 1 P24 graphically reflects this - also detailed within Appendices 2 and 3.	None	These are the budget heads over which CO has direct management responsibility
9	24/1.3.2.1	In addition to the services within scope of the Strategic Plan and managed by the Chief Officer, the Local Authority and Health Board may request that the Chief Officer manage services that are outside of the scope of the Strategic Plan.	Presently, this is not the case within the Scottish Borders. The Chief Officer is only responsible for functions delegated to the IJB. There is scope for this however, within the SOI 1.3.2.1.	None	Is not precluded from future arrangements
1.4 FINANCIAL GOVERNANCE					
10	25/1.4.1.1	The Integration Joint Board will be required to produce its own statutory accounts as a body under Section 106 of the Local Government (Scotland) Act 1973.	Draft accounts in relation to operating costs prepared for the period 06 February to 31 March 2016.	None	Currently being audited and will be submitted to the IJB in October
11	25/1.4.1.2	The Local Authority and Health Board will be required to include additional disclosures and group accounts as part of their financial statements which reflect their relationship with the Integration Joint Board.	Noted to the accounts of both partner organisations.	None	15/16 may require to be restated for comparative purposes / or produced for period from IJB establishment date
12	25/1.4.2.1	The Integration Joint Board must appoint an officer to be responsible for the administration of its financial affairs, referred to in this guidance as the Integration Joint Board financial officer.	4.4b of SOI Scheme P9 explicitly refers to the IJB requiring to appoint a CFO.	None	Interim IJB CFO appointed from 1 March 2016
13	25/1.4.2.3	The Health Board and Local Authority may make use of non-current assets, owned or otherwise, to deliver the services in scope of the Strategic Plan. Ownership of the assets and the associated liabilities will be unchanged and remain with the partner Local Authority and Health Board.	This will be the case for the Scottish Borders partnership, explicitly defined in 8.7.1.	Arrangements for Capital Financial Planning require to be developed	
14	26/1.4.3.1	The Integration Joint Board should establish a system of risk management arrangements for the functions delegated to it.	This is explicitly defined in section 13 of the SOI.	None	
2. ASSURANCE AND GOVERNANCE					
2.1 FINANCIAL ASSURANCE					

SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
15	27/2.1.1	The Health Board accountable officer and the Local Authority Section 95 Officer discharge their responsibility, as it relates to the resources that are delegated to the Integration Joint Board, by setting out in the Integration Scheme - the purpose for which resources are used - and the systems and monitoring arrangements for financial performance management.	Provision within the SOI for the processes through which performance and resources will be managed.	None	Performance Management and Reporting group established in order to deliver rounded financial and performance information and processes to inform integrated decision making from 16/17
16	27/2.1.3	The Chief Officer is: <ul style="list-style-type: none"> • Accountable to the Chief Executive of the Health Board for financial management of the operational budget, and is advised by the Health Board Director of Finance; • Accountable to the Section 95 Officer of the Local Authority for financial management of the operational budget; and • Accountable to the Chief Executive of the Local Authority and Chief Executive of the Health Board for the operational performance of the services managed by the Chief Officer. 	This is the arrangement proposed for the Scottish Borders partnership, supplemented by the CO's accountability to the IJB for all matters on services and budgets integrated and for which she is responsible. SOI 6.4 explicitly defines accountability to Chief Executives. There is less explicit reference to the COs accountability for matters financial.	None	
17	27/2.1.4	The financial regulations should be developed by its financial officer and incorporate a minimum set of controls. It is recommended that the financial regulations are approved by the Integration Joint Board.	Developed, agreed and reported to the IJB for approval on 01/02/16 following IJB members development session 20/01/16.	None	
18	27/2.1.5	The financial regulations of the Health Board and Local Authority should be revised, if necessary, to incorporate changes resulting from the financial integration arrangements including the arrangements for virement associated with the Integrated Budget.	Still to be completed.	A review of both NBSB and SBC Financial Regulations is required to ensure complementary and consistent governance policy and application.	
2.2 RISK MANAGEMENT					
19	28/2.2.1	The Chief Officer will be responsible for establishing the Integration Joint Board's risk strategy and profile and developing the risk reporting arrangements.	This is explicitly defined in 13.1 of the SOI. Risk Management Strategy approved by IJB March 2016.	None	Risk registers to be reported to the IJB 17 October 2016.

SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
20	28/2.2.2	The participating authorities should identify and manage within their own risk management arrangements any risks they consider to have retained under the integration arrangements.	Complete	Requires to be further reviewed within both NHSB and SBC following establishment of the IJB.	
21	27/2.2.3	The Integration Scheme should consider provisions to address the key risks inherent in integration and include: <ul style="list-style-type: none"> • Governance, management and strategy; • Financial management; • Asset management; • Information management; • Performance management; and • Customer management. 	Arrangements/provisions for control and governance across each of these areas is provided for within the Scheme of Integration, including complaints handling, etc, primarily within sections 10 to 13	None	
22	27/2.2.4	It is also recommended that the provisions for risk management in the Integration Scheme include: <ul style="list-style-type: none"> • Leadership/lines of accountability; • Arrangements for recording, updating, monitoring and reporting of risk management information; and • Arrangements for accessing professional risk management support. 	None of this is explicitly defined in detail within the Scheme of Integration.	A report to the IJB on the Code of Governance including Risk Management arrangements and strategy was made to the IJB on 07 March 2016	

2.3 INSURANCE

23	29/2.3.1	Integration Joint Boards should make appropriate provision for insurance according to the risk management strategy.		Requires inclusion and finalisation.	
24	29/2.4.1	It is the responsibility of the Integration Joint Board to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources. This will include determining who will provide the internal audit service for the Integration Joint Board and nominating a Chief Internal Auditor.	IJB has approved the appointment of CIA to the IJB. Audit committee will be established. Internal Audit plan to be developed Etc. Audit Committee Established	None	

 Scottish Borders Health and Social Care PARTNERSHIP	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="background-color: #008000; color: white; padding: 2px;">Complete</td></tr> <tr><td style="background-color: #FFFF00; color: black; padding: 2px;">Complete, Minor Remaining Actions Profiled</td></tr> <tr><td style="background-color: #FFD700; color: black; padding: 2px;">OnTrack, Actions Planned</td></tr> <tr><td style="background-color: #FF0000; color: white; padding: 2px;">Requires Further Action</td></tr> <tr><td style="background-color: #CCCCCC; color: black; padding: 2px;">Does not currently apply</td></tr> </table>	Complete	Complete, Minor Remaining Actions Profiled	OnTrack, Actions Planned	Requires Further Action	Does not currently apply	 NHS Borders	 Scottish Borders COUNCIL
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SCOTTISH BORDERS INTEGRATED JOINT BOARD

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ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
25	30/2.4.6	There should be a risk based internal audit plan developed by the Chief Internal Auditor of the Integration Joint Board and approved by the Integration Joint Board or other committee.	Not complete.	None	
26	30/2.4.7	Internal audit service should be provided by one of the internal audit teams from the Health Board or Local Authority and the Chief Internal Auditor from either of the partner Health Board or Local Authority fulfil this role in the Integration Joint Board.	IJB has approved the appointment of CIA to the IJB. Audit committee will be established. .Audit committee has been approved and established.	Approved February 2016	
27	30/2.4.9	The Integration Joint Board Chief Internal Auditor should report to the Chief Officer and the Integration Joint Board on the annual audit plan, delivery of the plan and recommendations and should provide an annual internal audit report including the audit opinion.	From 2016/17	None	
28	31/2.5.2	The Accounts Commission will appoint the auditors to the Integration Joint Board.	KPMG, Scottish Borders Council's external auditors, have been appointed as auditors to the IJB	None	
29	31/2.6.1	The Integration Joint Board should make appropriate and proportionate arrangements, for consideration of the audit provision and annual financial statements, which are compliant with good practice governance standards in the public sector.		None	

3. FINANCIAL REPORTING

3.1 STATUTORY ACCOUNTS

30	33/3.1.0.1	Audited annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations	Draft accounts in relation to operating costs prepared for the period 06 February to 31 March 2016.	None	Currently being audited and will be submitted to the IJB in October
31	33/3.1.0.2	The Local Authority and Health Board should include additional disclosures in their statutory accounts which reflect their formal relationship with the Integration Joint Board. .	Noted to the accounts of both partner organisations.	None	15/16 may require to be restated for comparative purposes / or produced for period from IJB establishment date

SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
32	34/3.1.1.4	The Integration Joint Board financial statements must be completed to meet the audit and publication timetable specified in regulations	Draft accounts in relation to operating costs prepared for the period 06 February to 31 March 2016 - submitted to External Audit by 30 June statutory timescale.	None	Currently being audited and will be submitted to the IJB in October
Further work will be undertaken during 2016/17 to ensure full compliance with IRAG in relation to Financial Reporting					
4. FINANCIAL MANAGEMENT					
4.1 RESOURCES WITHIN THE SCOPE OF THE STRATEGIC PLAN					
33	38/4.1.1	The legislation requires that the Integration Joint Board produce a Strategic Plan, which sets out the services for their population over the medium term (3 years)	Approved. Complete.		
34	38/4.1.2	The Strategic Plan should incorporate a medium term financial plan (3 years) for the resources within scope of the Strategic Plan which will comprise: <ul style="list-style-type: none"> • the Integrated Budget, i.e. the sum of the payments to the Integration Joint Board (see 4.2); plus • the notional budget, ie the amount set aside by the Health Board, for large hospital services used by the Integration Joint Board population (see 4.4). 	This is not explicitly within the Strategic Plan although the services to be integrated are defined in Appendix A. These resources within scope will be formally defined within the 2016/17 Financial Statement which will be approved by the IJB in March 2016 and which will support the delivery of the Strategic Plan. This will also include large hospital set-aside notional budget. Formal Written Directions, including the value of specific integrated budget, will also be issued by the IJB to its partners	Complete	
35	38/4.1.4	The relative proportions of partners' contributions to the resources within scope of the plan will not influence the proportion of services that will be directed by The Integration Joint Board through the Strategic Plan, although it is likely that in the first years they will be similar.	This is not specifically referred to within either the SOI or the Strategic Plan but has been a working principle of the financial planning work to date as proposed at a member development session in 2015.		
4.2 THE INTEGRATED BUDGET					
36	39/4.2.1	The legislation requires that Health Boards and Local Authorities make payments to the integration joint board for the delegated functions and that the method for determining the value of the payments is included in the Integration Scheme	8.3.1 of the SOI states that "the baseline payment will be established by reviewing recent past performance and existing plans for NHSB and SBC for the functions delegated adjusted for material items" and 8.1-8.2 provides for the mechanism of value determination.	None	

 Scottish Borders Health and Social Care PARTNERSHIP	Complete
	Complete, Minor Remaining Actions Profiled
	OnTrack, Actions Planned
	Requires Further Action
	Does not currently apply



SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
37	39/4.2.2	The legislation also requires that where the Integration Joint Board gives direction for the partner Local Authority and Health Board for the operational delivery of services, that the value of the payment or the method of agreeing the value of the payment be included in the direction	Directions issued April 2016		
38	39/4.2.3	Integration authorities should undertake a shadow period in 2014/15. The allocations in the shadow period should be based on the existing financial plans of the Local Authority and Health Board including the planned efficiencies and consideration of recent financial outturn and trends in expenditure; this process must be transparent and the assumptions underlying the budgets must be available to all partners.	Shadow period commenced 1st April 2016 - aligned budgets reflected approved 2015/16 Financial Plans for both NHSB and SBC, including planned efficiencies, savings/income proposals and service pressures/growth. Financial Plans between both partners shared and published.	None	
39	39/4.2.4	The financial performance of the Integrated Budget is monitored during the shadow period with full transparency so that all partners have a clear understanding of the cause and type (recurrent/non-recurrent) of variances and the remedial actions taken by the Local Authority and Health Board. They should have a clear understanding of the adequacy of the budgets in the financial plan for the following year and the assumptions on which they are based.	Monthly aligned financial monitoring reports by exception to Programme Implementation Board / Executive Management Team, with a full quarterly report to IJB detailing current and projected position to date and key areas of pressure/savings variances with detailed explanation where required, including proposed remedial action across integrated and non-integrated budget heads. Financial Plan process paper to be developed for IJB.	Complete	Regular and frequent monitoring reports to IJB

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SCOTTISH BORDERS INTEGRATED JOINT BOARD
COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
40	39/4.2.5	The initial payments to the Integration Joint Board should be based on analysis of the shadow period in 2014-15 to provide the Local Authority, Health Board and Integration Joint Board with reassurance that the delegated resources are sufficient to deliver the delegated functions. It should also consider the respective financial plans of the Local Authority and Health Board including full transparency on the budget assumptions and planned efficiency savings. These allocations should be tested against the actual performance in the shadow period and adjusted if necessary. Although not included in the payment, the analysis in the shadow period should include the notional budget for hospital services.	This is the approach and takes account of both organisations existing financial plans. Assurance over the sufficiency of resources has been undertaken and key risks identified. Both organisations are experiencing significant pressures presently on functions which will be delegated - full assurance / risk assessment has been undertaken allowing a view over the resources and demands on them to be formed.	Complete	
41	40/4.2.7	The method for determining the allocations to the Integrated Budget in subsequent years will be contingent on the respective financial planning and budget setting processes of the Local Authority and Health Board. They should aim to be able to give indicative three year allocations to the integration joint board, subject to annual approval through the respective budget setting processes.	Section 8.4 of the SOI clearly lays out the detailed method through which payment in subsequent years to the IJB for delegated functions will be made. Reference is also made to the IJB agreeing and delivering the Strategic Plan/Financial Plan but through a process of joint discussion and planning with partners.	None presently	Integrated Financial Planning process to be developed for 17/18 onwards
42	40/4.2.8	The Chief Officer, and the Integration Joint Board financial officer where such is appointed separately, should develop a case for the Integrated Budget based on the Strategic Plan and present it to the Local Authority and Health Board for consideration and agreement as part of the annual budget setting process.	This hasn't been the case for 2016/17 budget directly. Will require to be the case for 2017/18 however. In the interim, the CO also acts as manager of services within both organisations and is therefore part of the management team and financial planning process within each respective partner's organisation.	Implementation of Approved Medium-Term Integrated Financial Planning Strategy	

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SCOTTISH BORDERS INTEGRATED JOINT BOARD
COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
43	40/4.2.9	Local Authority and Health Board will evaluate the case for the Integrated Budget against their other priorities and are expected to negotiate their respective contributions accordingly. The allocations will be a negotiated process based on priority and need and it should not be assumed that they will be the same as the historic or national allocations to the Health Board and Local Authority.	Developing but requires clearer application through the Medium-Term Integrated Financial Planning Strategy		
44	40/4.2.9	The method for determining the contributions is required to be included in the Integration Scheme.	SOI 8.3-8.5	Complete	
45	41/4.2.10	The allocations made from the Integration Joint Board to the Local Authority and Health Board for operational delivery of services will be approved by the Integration Joint Board. The value of the payments will be those set out in the Strategic Plan approved by the Integration Joint Board	Report to IJB in March 2016, accompanied by Financial Statement.	Complete	
46	41/4.2.11	The legislation will require that a direction should be in writing and must include information on (Section 26): <ul style="list-style-type: none"> • The integrated function/(s) that are being directed and how they are to be delivered; and • The amount of and method of determining the payment to carry out the delegated functions. 	Complete		
47	41/4.2.12	It anticipated that a direction from the Integration Joint Board will take the form of a letter from the Chief Officer to the Health Board or Local Authority referring to the arrangements for delivery set out in the Strategic Plan and/or other documentation. Once issued they can be amended or varied by a subsequent direction	Complete		

SCOTTISH BORDERS INTEGRATED JOINT BOARD COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
48	41/4.2.14	<p>Some social work expenditure budgets will be funded by resource transfer payments. It is recommended that partners identify these and adopt a transparent and consistent approach to their inclusion in the payment to the Integration Joint Board. The options for this are:</p> <ul style="list-style-type: none"> • For the Health Board to stop paying resource transfer to the Local Authority and instead to include it in its payment to the Integration Joint Board. The Local Authority would need to make a corresponding reduction in its payment to the Integration Joint Board to cover the loss of resource transfer income from the Health Board; or • For the Health Board to continue paying resource transfer to the Local Authority and to exclude it from its payment to the Integration Joint Board. The Local Authority would include in its 	Work is ongoing in this area analysing out the level of resource transfer, its basis and its current application.	It is proposed to dissolve the arrangement of resource transfer following a permanent baseline transfer of resource from NHSB to SBC, in line with what has happened across other partnerships. This has yet to be formalised however and will be developed further during 17/18.	
49	41/4.2.15	It is recommended that the local decision on treatment of resource transfer be set out in the Integration Scheme.	Resource transfer is not referred to within the SOI. This will therefore require local agreement and may require reporting to IJB.	Further work and agreement required	
50	42/4.2.17	Resources used by the population of an Integration Joint Board for delegated services that are provided on a hosted arrangement, should be included in the respective Integrated Budget	Further work required	Further work required	

4.3 MANAGING FINANCIAL PERFORMANCE

51	42/4.3.0.1	The partners should include in the Integration Scheme provisions for managing in-year financial performance of the Integrated Budget. This will require that the Chief Officer receive financial performance information for both her/his operational role in the Health Board and Local Authority and strategic role in the Integration Joint Board.	SOI 8.6 outlines how any in-year variations will be addressed. Within the Shadow Year, the CO receives financial performance information for both her operational role in the Health Board and Local Authority and strategic role in the Integration Joint Board.	None	Single entity reporting still in development
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SCOTTISH BORDERS INTEGRATED JOINT BOARD COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
52	42/4.3.0.2	It is recommended that the Health Board and Local Authority Directors of Finance and the Integration Joint Board financial officer establish a process of regular in-year reporting and forecasting to provide the Chief Officer with management accounts for both arms of the operational budget and for the Integration Joint Board as a whole.	A monthly management report is presented to the CO for discussion and approval covering all functions delegated. This is also reported to her management team on a monthly basis where detailed discussion and (if required) remedial actions are planned and approved.	None	Single entity reporting still in development
53	42/4.3.0.2	It is also recommended that a joint appointment from the senior finance teams of the Health Board and Local Authority provide the Chief Officer with financial advice for the respective operational budgets. This would allow for the same person carry out both this role and the role of financial officer for the joint board, but this is a matter for local determination.	Interim CFO appointment from 1 March 2016		
54	42/4.3.0.3	It is recommended that the Health Board and Local Authority agree a consistent basis for the preparation of management accounts, i.e. accruals vs. cash basis; this is a matter for local decision.	This is a matter for further discussion. Whilst an accruals basis is consistently applied for statutory reporting, there is inconsistency between the partners in terms of monthly accrual accounting for management reporting purposes.	Ongoing work package	
55	43/4.3.0.4	Integration Joint Board will allocate the resources it receives from the partner Health Board and Local Authority in line with the Strategic Plan; in doing this it will be able to use its power to hold reserves	This will be undertaken as part of the work developing the approach to Strategic and Operational Financial Planning during 2016/17	IJB approved its Reserves Policy in February 2017. A costed Strategic Plan and locality plans have yet to be developed however.	
56	43/4.3.0.5	In her/his operational role, the Chief Officer will manage the respective operational budgets so as to deliver the agreed outcomes within the operational budget viewed as a whole. The Chief Officer will be responsible for the management of in-year pressures and will be expected to take remedial action to mitigate any net variances and deliver the planned outturn	This is currently happening to a degree. The CO takes full responsibility for the management of in-year pressures during 2015/16. Whilst in shadow year and budgets only as aligned presently, the operational budget is not viewed as a whole for the purposes of such remedial action however.	None	

 Scottish Borders Health and Social Care PARTNERSHIP	Complete	Complete, Minor Remaining Actions Profiled	OnTrack, Actions Planned	Requires Further Action	Does not currently apply
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SCOTTISH BORDERS INTEGRATED JOINT BOARD

COMPLIANCE CHECK WITH INTEGRATED RESOURCES ADVISORY GROUP GUIDANCE

ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
57	43/4.3.0.7	It is recommended that the Integration Joint Board has a reserves policy and reserves strategy, which include the level of reserves required and their purpose. This should be agreed as part of annual budget setting and reflected in the Strategic Plan agreed by the Integration Joint Board.	Approved February 2017.	None	Financial Planning assumptions require to include provision for reserves as part of med-term strategy
58	43/4.3.0.9	The Chief Officer will not be able to vire between the operational Integrated Budget and those budgets that are managed by the Chief Officer, but are outside of the scope of the Strategic Plan, unless agreed by the partner Local Authority and Health Board.	The arrangements for this are defined in s8.6 of the SOI	None	Specifically stated in 8.6.4 - 8.6.6 of SOI
59	43/4.3.0.9	The arrangements for the virement of budgets should be specified in the scheme of delegation within the partner authorities.	Outstanding - partners' Financial Regulations require review and if appropriate, updating	Schemes of administration in NBSB and SBC require review and update accordingly.	
60	44/4.3.1.1	The Integration Scheme should include provisions for the treatment of in-year under and overspends.	s8.6 of SOI clearly defines these provisions	None	
61	44/4.3.1.5	In-year underspends on either arm of the operational integrated budget should be returned from the Local Authority and Health Board to the Integration Joint Board and carried forward through the general fund.	8.6.8 of the SOI states "Any unplanned underspend will be returned to Borders Health Board or Scottish Borders Council by the Integration Joint Board either in the proportion that individual pressures have been funded or based on which service the savings are related to." 8.6.7 states "Where there is a planned underspend in operational budgets arising from specific action by the Integration Joint Board it will be retained by the Integration Joint Board. This underspend may be used to fund additional capacity in-year or, with agreement with the partner organisations, carried forward to fund capacity in subsequent years. The carry forward will be held in an ear-marked balance within Scottish Borders Council's general reserve."	None	Treatment of planned overspends defined in SOI 8.6.7, unplanned overspends in 8.6.8

 Scottish Borders Health and Social Care PARTNERSHIP	Complete	Complete, Minor Remaining Actions Profiled	OnTrack, Actions Planned	Requires Further Action	Does not currently apply
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SCOTTISH BORDERS INTEGRATED JOINT BOARD

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ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
62	46/4.4.0.3	Legislation requires that the method for determining the amount to be set aside by the Health Board should be included in the Integration Scheme	This is defined in s8.5 of the SOI, specifically referencing IRF. Currently, further work to develop IRF by partner organisations is required before this can inform fully the calculation - resources have been identified on a 'direct-only' basis in the interim		
63	.	Where material; the notional budget should include the resources for the in scope hospital services used by the partnership population in all Health Boards.	Not relevant within Scottish Borders		
64	46/4.4.1.4	It is recommended that partners should establish a process for the Chief Officer and the hospital sector to jointly monitor in year actual demand against plan and provide for virements, if required, based on practical thresholds.	t.b.a.	t.b.a.	

5. VAT

5.1 REVENUE

5.2 CAPITAL

65	50/5.2.1	In the short term the Integration Joint Board will not be empowered to own capital assets and the VAT regimes of the Local Authority and Health Board will apply to capital assets used to provide the delegated services.	8.7.1 of SOI states "The Integration Joint Board will not own any capital assets but will have use of such assets which will continue to be owned by Borders Health Board and Scottish Borders Council who will have access to sources of funding for capital expenditure".	None	VAT approach should be simple and pragmatic - watching brief presently to ensure all decisions proposed and implemented are VAT neutral
			The SOI does not refer to VAT regimes, however, following national recommended practice (HSCI Finance Leads recommendations, existing partners' VAT regimes will apply.		

6. CAPITAL AND ASSET MANAGEMENT

6.1 ASSET MANAGEMENT

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ACTION POINT	IRAG REFERENCE	IRAG PROVISION	PROGRESS	ACTIONS REQUIRED	COMMENTS / STATUS>
66	51/6.1.1	The Integration Joint Board should identify the asset requirements to support the Strategic Plan. This will enable the Chief Officer to identify capital investment projects, or business cases to submit to the Health Board and Local Authority for consideration as part of the capital planning processes, recognising that partnership discussion would be required at an early stage if a project was jointly funded.	<p>SOI 8.7.2 states "The Chief Officer will consult with Borders Health Board and Scottish Borders Council to identify need for asset improvement owned by either party and where investment is identified, will submit a business case to the appropriate party which will be considered as part of each party's existing capital planning and asset management arrangements."</p> <p>Following the IRAG guidance therefore, a formal process will be in place to consider IJB capital requirements as part of both organisations' wider capital planning process".</p>	None	
67	51/6.1.3	The Integration Joint Board, Health Board and Local Authority are recommended to undertake due diligence to identify all non-current assets which will be used in the delivery of the Strategic Plan.	This is not stipulated in SOI, nor has any work been undertaken to identify fixed assets specifically.	An audit of all fixed assets supporting the functions delegated will be required undertaking and a report to the IJB, linking them to the delivery of the Strategic Plan will be made during 2016/17	2016/17
6.2 CAPITAL FUNDING					
68	52/6.2.1	The Integration Joint Board will not receive any capital allocations, grants or have the power to borrow to invest in capital expenditure. The Health Board and Local Authority will continue to own any property and assets used by the Integration Joint Board and have access to sources of funding for capital expenditure.	<p>SOI s8.7.1 states that "In line with guidance, the Integration Joint Board will not receive any capital allocations, grants or have the power to borrow to invest in capital expenditure."</p> <p>Asset ownership will be retained by each partner and a formal process for accessing sources of capital funding from either organisation will be developed".</p>	Resourcing capital spend on assets that support the delivery of delegated functions is included within partners' 2017/18 Financial Plans. Partners will continue to identify health and social care capital planning requirements and ensure these are reflected in line with partner organisational priorities over the long-term.	
6.3 R&M					
69	53/6.3.1	The Integrated Budget may include payments from the Local Authority and Health Board to cover the revenue costs of assets e.g. rents, repairs and maintenance, rates, cleaning, property insurance etc.	Locally, we have decided not to include property repairs, maintenance and servicing within the Integrated Budget and both partners' will retain the responsibility for this function.	None	

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IJB AUDIT COMMITTEE
27 MARCH 2017



INTERNAL AUDIT ANNUAL PLAN 2017/18 FOR
SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD

Aim

- 1.1 To gain approval to the proposed Internal Audit Annual Plan 2017/18 for the Scottish Borders Health and Social Care Integration Joint Board to enable the IJB Chief Internal Auditor to prepare an annual internal audit opinion on the adequacy of the arrangements for risk management, governance and control of the delegated resources.

Background

- 2.1 Management are responsible for setting up suitable and sound systems of internal control, risk management and governance arrangements and for monitoring the continuing effectiveness of these systems and arrangements to ensure robust and efficient governance of the health and social care partnership. These are not fixed but evolve as the partnership changes.
- 2.2 Internal Audit is an independent appraisal function established for the review of the internal control system and governance as a service to the Health and Social Care Integration Joint Board. It objectively examines, evaluates and reports on the adequacy of internal control and governance as a contribution to the proper, economic, efficient and effective use of delegated resources and the management of risk.
- 2.3 The role of the IJB Audit Committee will be to provide high-level oversight of the IJB's governance, risk management and control frameworks and to oversee the financial reporting and annual governance processes. It will receive reports from Internal Audit and External Audit, helping to ensure efficient and effective assurance arrangements are in place.

Summary

- 3.1 The SBC Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective 1 April 2013 which requires the chief audit executive to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. This plan also requires to be sufficiently flexible to reflect the changing risks and priorities of the organisation.

- 3.2 The proposed Internal Audit Annual Plan 2017/18 for the Scottish Borders Health and Social Care Integration Joint Board is detailed in Appendix 1. The Plan: defines the purpose, authority and responsibility of the Internal Audit activity; sets out the relative allocation of resources; outlines the Assurance Framework (including assurance from partners' Internal Audit providers); specifies the Internal Audit priorities; and sets out the range and breadth of audit areas and sufficient work within the audit programme of work to enable the IJB Chief Internal Auditor to prepare an annual internal audit opinion. Key components of the audit planning process include a clear understanding of the IJB's functions, associated risks, and assurance framework.

Recommendation

The Integration Joint Board Audit Committee is asked to approve the Internal Audit Annual Plan 2017/18 for Scottish Borders Health and Social Care Integration Joint Board as detailed in Appendix 1 of this report.

Policy/Strategy Implications	The establishment of appropriate audit arrangements is one of the key components of good governance.
Consultation	The Interim IJB Chief Officer and Interim Chief Financial Officer have been consulted on the risk-based audit approach and the resultant planned audit coverage to ensure it will provide assurance on controls and governance relating to the key risks facing the IJB and to assist them in discharging their roles and responsibilities. Other key stakeholders, including senior financial management and internal and external auditors of the partner organisations, have been consulted on the approach to ensure that audit work is co-ordinated and programmed to avoid duplication and maximise assurance.
Risk Assessment	Key components of the audit planning process include a clear understanding of the IJB's functions, associated risks, and potential range and breadth of audit areas for inclusion within the plan. To capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted.
Compliance with requirements on Equality and Diversity	It is anticipated that there are no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals in this report.
Resource/Staffing Implications	Internal Audit services for the IJB will be provided by the Council's Internal Audit team. There are staff and other resources currently in place to deliver the IJB Internal Audit Annual Plan 2017/18 and to meet its objectives.

Approved by and Author

Name	Designation
Jill Stacey	Chief Internal Auditor, Scottish Borders Health and Social Care Integration Joint Board (the Council's Chief Officer Audit & Risk)



Jill Stacey
Chief Officer Audit & Risk, Scottish Borders Council
Chief Internal Auditor, Scottish Borders Health and Social Care Integration Joint Board



Draft Internal Audit Annual Plan 2017/18 for Scottish Borders Health and Social Care Integration Joint Board

to

**Integration Joint Board Audit Committee,
Interim Chief Officer and Interim Chief Financial Officer**

Draft 10 March 2017 for presentation to IJB Audit Committee 27 March 2017

1 Introduction

- 1.1 The Scottish Borders Integration Joint Board (the Board) of Scottish Borders Health and Social Care Partnership (the Partnership) was established as a body corporate by Scottish Ministers on 6 February 2016. The Board approved a Strategic Plan for 2016 – 2019 on 7 March 2016 which sets out what it wants to achieve to improve health and well-being in the Scottish Borders through integrating health and social care services. The Strategic Plan became live on 1 April 2016.
- 1.2 The Integration Joint Board (IJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.3 The Partnership's Code of Corporate Governance was approved by the IJB on 7 March 2016. The roles and responsibilities of Board members and officers are defined within a comprehensive suite of governance documents relating to the arrangements within which the partnership will operate which specifically covers:
 - Scheme of Integration
 - Key Principles of the Local Code of Governance
 - Standing Orders
 - Audit Arrangements including Terms of Reference for the Audit Committee
 - Risk Management Strategy
 - Financial Arrangements and Financial Regulations
- 1.4 In addition to its own governance arrangements, the IJB places reliance on the governance arrangements adopted by NHS Borders and Scottish Borders Council, the partners. Where appropriate existing mechanisms embedded within both NHS Borders and Scottish Borders Council will be used to provide assurance to the Health and Social Care Integration Joint Board.

- 1.5 The Board appointed Jill Stacey, Chief Officer Audit and Risk, Scottish Borders Council, as Chief Internal Auditor for the Integration Joint Board on 1 February 2016 with agreement that Internal Audit services for the IJB will be provided by the Council's Internal Audit team.
- 1.6 Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance. The Internal Audit programme of work is designed to add value to and improve the Integration Joint Board's operations in order to meet the objectives set out in the Strategic Plan.

2 Internal Audit Annual Planning Process

- 2.1 The SBC Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. The key standards within the PSIAS which relate to the preparation of the internal audit plan are summarised below:
 - Standard 2010 – Planning which states that “the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”
 - Standard 2020 – Communication and Approval which states that “the chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.”
- 2.2 The CIPFA Publication ‘Audit Committees 2013’ states that “The audit committee should seek to make best use of the internal audit resource within the assurance framework. In particular, the audit committee should seek confirmation from internal audit that the audit plan takes into account the requirement to provide an annual internal audit opinion that can be used to inform the Annual Governance Statement. Specific activities will include:
 - Approving (but not directing) the risk-based plan, considering the use made of other sources of assurance.”The CIPFA Publication also states that “The committee will wish to seek assurance from the HIA that appropriate risk assessment has been carried out as part of the preparation of the internal audit plans when they are presented.”
- 2.3 Key components of the audit planning process include a clear understanding of the integration authority’s role and responsibilities, priorities, plans, strategies, objectives, risks and mitigating controls, and the internal and external assurances provided to determine the potential range and breadth of audit areas for inclusion within the plan, consistent with the organisation’s goals. This exercise is informed by key developments at both a national and local level and other relevant background information, for example the Strategic Plan.

3 Internal Audit Resources

- 3.1 Staff resources, estimated in the Council’s Internal Audit Annual Plan 2017/18 to be presented to SBC’s Audit and Risk Committee on 28 March 2017, totalling 30 days have been allocated to provide Internal Audit services to the Scottish Borders Health and Social Care Integration Joint Board in its second year of operation, which reflects the Council’s contribution of corporate support resources.
- 3.2 Staff assigned to perform the IJB audit work hold relevant professional qualifications and have the necessary experience, knowledge, skills and technical competencies needed to complete the programme of work.

4 Planned Internal Audit Programme of Work 2017/18

- 4.1 Discussions with the IJB's Interim Chief Officer and Interim Chief Financial Officer have taken place and will continue on an ongoing basis to ensure Internal Audit assurance meet the needs of the IJB and Management and other key stakeholders.
- 4.2 The audit work for 2017/18 is designed to encompass:
 - (i) review and appraisal of the operation of corporate governance arrangements in the second full year of operation of the IJB;
 - (ii) review of IJB risk management arrangements; and
 - (iii) follow-up previous audit recommendations.
- 4.3 The plan below gives an indication of the areas we plan to cover:

Category	Our planned audit approach within 2017/18
Internal Audit assurance on corporate governance including performance and financial management	<p>We will assess the IJB's corporate governance arrangements in place to deliver services to meet the needs of service users and the strategic priorities for health and social care integration set out in the Strategic Plan.</p> <p>We will assess the IJB's progress in commissioning redesigned services and their fit with stated strategic objectives.</p> <p>We will take account of the IJB's Local Code of Corporate Governance to ensure it complies with the CIPFA / SOLACE Revised Code. Areas of specific evaluation during the year might include clarity of roles and responsibilities, compliance with Scheme of Integration, and arrangements for the operation of Standing Orders.</p> <p>We will attend the IJB meetings to observe planning, approval, monitoring and review activity of Scottish Borders Health and Social Care Integration business and performance.</p> <p>We will follow-up on progress on areas of improvement recommended in 2016/17 audit assurance work relating to corporate governance, financial management and performance management. Reliance will be placed on assurance from partners' Internal Audit providers, i.e. PwC for NHS Borders and in-house team for Scottish Borders Council, through their follow-up work undertaken that is relevant to health and social care integration.</p>
Internal Audit assurance on risk management	<p>We will consider key areas of risk for the IJB and the roles and responsibilities of Board members and officers.</p> <p>We will rely on assurance from partners' Internal Audit providers, i.e. PwC for NHS Borders and in-house team for Scottish Borders Council, through their planned Internal Audit work undertaken on the risk management arrangements in operation to fulfil their partners' roles and responsibilities relevant to health and social care integration.</p>

5 Reporting of Internal Audit Results

- 5.1 The Internal Audit Annual Plan 2017/18 for the IJB includes sufficient work to enable the IJB's appointed Chief Internal Auditor to prepare an annual independent and objective audit opinion on the adequacy of the arrangements for risk management, governance and control of the delegated resources in its second year of operation. The audit opinion will be included within the Internal Audit Annual Report 2017/18 for the IJB which will be reported to Management, to the IJB Audit Committee, for governance and scrutiny purposes, and to the Board on an annual basis.
- 5.2 The Internal Audit Annual Report will state the results from each audit engagement outlining the risks, controls and conclusions. It will also state any Internal Audit recommendations that have been made to improve internal controls and governance in the form of an improvement action plan that will include the responsible owner and timescale for implementation. The outcomes of any monitoring of implementation of agreed actions or acceptance of risk will also be stated, as appropriate.
- 5.3 The Internal Audit findings and annual opinion will be used to inform the IJB's Annual Governance Statement for inclusion in the IJB's Annual Report and Accounts.

6 Internal Audit Added-Value Support

- 6.1 Internal Audit will support the development of the members of the IJB Audit Committee to enable effective scrutiny and challenge, support the members of the Board as appropriate to fulfil its role, and lead the self-evaluation of IJB Audit Committee against its remit and best practice, to fulfil the core principles in the IJB's Local Code of Corporate Governance.

Jill Stacey

Chief Officer Audit & Risk, Scottish Borders Council
Chief Internal Auditor, Scottish Borders Health and Social Care Integration Joint Board

DRAFT

Scottish Borders Integration Joint Board

Annual Audit Plan 2016/17

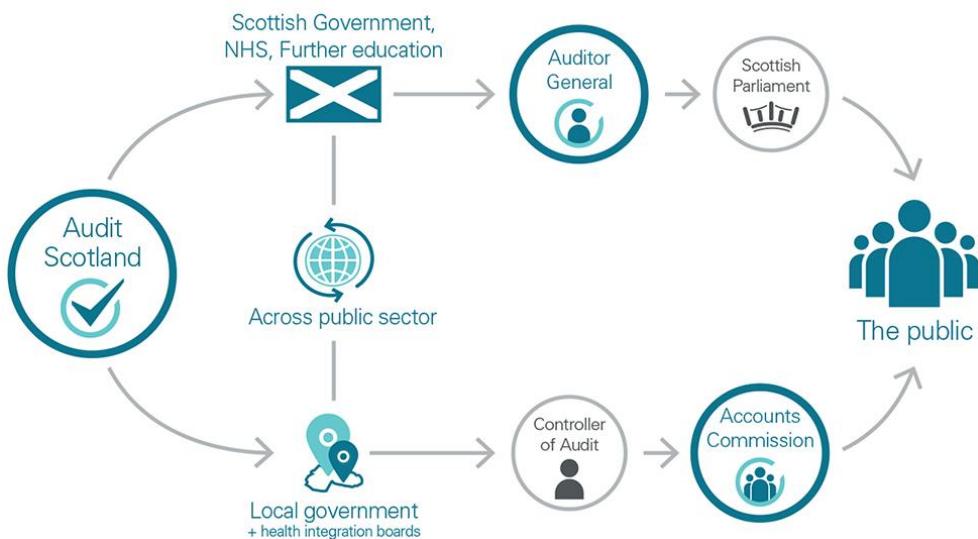


Prepared for members of Scottish Borders Integration Joint Board
February 2017

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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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit of Scottish Borders Integration Joint Board (IJB) and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit including the new approach to Best Value. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

2. Based on our discussions with management and a review of supporting information we have identified the following main risk areas for Scottish Borders IJB. We have categorised these risks into financial risks and wider dimension risks. These risks, and the planned audit work, are detailed in [Exhibit 1](#).

Exhibit 1

Audit Risk	Management assurance	Planned audit work
Financial statement issues and risks		
1 Risk of management override of controls 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 the risk of management override of controls in order to change the position disclosed in the financial statements.	<i>Owing to the nature of this risk, assurances from management are not applicable</i>	Detailed testing of journal entries. Service auditor assurances will be obtained from the audits of Scottish Borders Council ("the council") and NHS Borders ("the health board") over the completeness, accuracy and allocation of the income and expenditure.
2 Financial statements preparation Services were delegated to the IJB from 1 April 2016. Therefore 2016/17 will be the first year that delegated services are included in the IJB's financial statements. The financial statements will require income, expenditure and year end balances to be agreed with Scottish Borders Council and NHS Borders. There is a risk that the procedures for agreeing the year end balances are not fully embedded and that the financial statements are not	Officers complying, where appropriate, with guidance from the Integrated Resource Advisory Group (IRAG) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC). Processes and procedures will be agreed to ensure information is provided in a timely manner to support the delivery of the financial statements.	Continued engagement with officers prior to the accounts being prepared to ensure that the relevant information is disclosed and the timetable is met. Service auditor assurances will be obtained from the audits of Scottish Borders Council and NHS Borders over the completeness, accuracy and allocation of the income and expenditure.

Audit Risk	Management assurance	Planned audit work
Wider dimension risks		
3 Financial sustainability The latest financial monitoring report from December 2016 reported a projected outturn of £139.9m against a delegated budget of £139.2m, an overspend of £0.7m. This overspend relates mostly to healthcare services and reflects £4.2m of savings from a recovery plan implemented in year by the health board in response to a direction issued to the health board by the IJB. There is a risk that overspends may require additional payments from the council and health board and that there may be difficulties in producing a balanced outturn in future years.	On-going monitoring of the budget. Due diligence to be completed on the budget setting process.	Confirmation of agreement of funding and balances with host bodies. Review outcome of due diligence exercise. Ensure budget monitoring is robust and accurately reflects the financial position.
4 Governance arrangements The Chief Officer and Chief Financial Officer are currently interim appointments. These are key governance roles, responsible for the preparation, implementation and reporting on the Strategic Commissioning Plan and for developing and monitoring the budget delegated to the IJB. There is a risk that changes in key staff could impact on the implementation of the Strategic Commissioning Plan, as well as impacting on the effectiveness of monitoring and reporting arrangements.		
Reporting arrangements		
3. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in Exhibit 2 , and any other reports on matters of public interest will be published on our website: www.audit-scotland.gov.uk .		
4. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.		
5. We will provide an independent auditor's report to Scottish Borders IJB and the Accounts Commission that the audit of the financial statements has been	Page 41	

completed in accordance with applicable statutory requirements. We will also provide them with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2016/17 Audit outputs

Audit Output	Target date	Audit Committee Date
Annual Audit Report including ISA 260 requirements	15 September 2017	25 September 2017
Signed Independent Auditor's Report	26 September 2017	N/A

Audit fee

6. The fee for the 2016/17 audit of Scottish Borders IJB is £17,470. In determining the audit fee we have taken account of the risk exposure of the IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package by 30 June 2017.

7. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Management

8. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

9. The audit of the financial statements does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

10. Our responsibilities as independent auditor are established by the 1973 Act for local government and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

11. Auditors in the public sector give an independent opinion on the financial statements. We also review and report on the arrangements within the audited body to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

12. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the IJB and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how the IJB will include these in the financial statements
- obtaining service auditor assurances from the audits of Scottish Borders Council and NHS Borders over the completeness, accuracy and allocation of income and expenditure included in the IJB financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

13. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the IJB and its expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.



Materiality

14. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. It helps assist our planning of the audit and allows us to assess the impact of any audit adjustments on the financial statements. We calculate materiality at different levels as described below. The calculated materiality values for the IJB are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the budget for 2016/17.	£1.572 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 70% of planning materiality.	£1.100 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality (rounded).	£0.020 million

15. We review and report on other information published with the financial statements including the management commentary, annual governance report and the remuneration report. Any issue identified will be reported to the Audit Committee.

Timetable

16. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit Committee dates:

Exhibit 4

Financial statements timetable

Key stage	Date
Agreement of year end balances with NHS Borders and the council	By 31 May 2017
Consideration of unaudited financial statements by those charged with governance	26 June 2017
Latest submission date of unaudited financial statements with complete working papers package	30 June 2017
Latest date for final clearance meeting with IJB Chief Financial Officer	TBC
Agreement of audited unsigned financial statements; Issue of Annual Audit Report including ISA 260 report to those charged with governance	25 September 2017
Independent auditor's report signed	26 September 2017

Internal audit

17. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an assessment of the internal audit function. Internal audit for the Integration Joint Board is provided by the internal audit service at Scottish Borders Council and is overseen by the Chief Officer Audit & Risk at the council who is the appointed Chief Internal Auditor for the IJB.

Adequacy of Internal Audit

18. Our review of internal audit concluded that the internal audit function operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

Areas of reliance

19. In respect of our wider dimension audit responsibilities we plan to consider areas of internal audit work reported in the Internal Audit Report 2016/17 for the IJB.

Audit dimensions

20. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



21. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will contribute to an overall assessment and assurance on best value.

Financial sustainability

22. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and longer term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- whether the board can demonstrate the affordability and effectiveness of funding and investment decisions it has made.

Financial management

23. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the IJB has arrangements in place to ensure systems of internal control are operating effectively
- whether the IJB can demonstrate an effective budgetary control system in communicating accurate and timely financial performance
- how the IJB has assured itself that its financial capacity and skills are appropriate
- whether the IJB has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

24. 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. We will review, conclude and report on:

- whether the IJB can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

25. An additional area we will cover in our 2016/17 audit is a follow-up review of the previous Audit Scotland national performance audit:

- The Role of Boards. This report was published in September 2010. The follow up review will assess the governance, decision-making and scrutiny arrangements of the IJB.

Value for money

26. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- the IJB can provide evidence that it is demonstrating value for money in the use of its resources
- the IJB can demonstrate that there is a clear link between money spent, output and outcomes delivered
- the IJB can demonstrate that outcomes are improving
- there is sufficient focus on improvement and the pace of it.

Independence and objectivity

27. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Assistant Auditor General, who serves as Audit Scotland’s Ethics Partner.

28. The engagement lead for Scottish Borders IJB is Gillian Woolman, Assistant Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of Scottish Borders IJB.

Quality control

29. International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

30. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice approved by the Accounts Commission. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and is currently reviewing the arrangements for external quality reviews.

31. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Scottish Borders Integration Joint Board

Annual Audit Plan 2016/17

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

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