

## **SCOTTISH BORDERS HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD** **- 2015/16 STATEMENT OF ACCOUNTS**

### **Aim**

- 1.1 The purpose of this report is to provide the IJB Audit Committee with an update on the process of production, audit and approval of Integration Joint Board (IJB) accounts for the period to the 31 March 2016, complying with its statutory responsibility to produce financial statements in respect of the period from its establishment on 06 March 2016 to this date.

### **Background**

- 2.1 The Public Bodies (Joint Working) (Scotland) Act 2014 requires that the Integration Joint Board is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973. This means that the IJB is required to prepare and publish audited annual accounts that meet the reporting requirements specified in relevant legislation and regulation (specifically s.12 of the Local Government in Scotland Act 2003 and regulations under s.105 of the Local Government (Scotland) Act 1973).
- 2.2 These accounts require to be proportionate to the limited number of transactions of the IJB, yet comply with the public-sector requirement for transparency and true and fair financial reporting. Whilst these accounts formally represent the operating activities of the partnership in financial terms, NHS Borders and Scottish Borders Council are also required to report additional disclosures within their statutory accounts reflecting the formal relationship with the IJB.
- 2.3 The IJB accounts require to be prepared in draft by 30 June each financial year subject to audit, following which they require approval by its Audit Committee by 30 September and onward approval by the board itself thereafter. IJB's are specified in legislation as 'section 106' bodies under the terms of the Local Government (Scotland) Act 1973 as amended and as such they are expected to prepare their financial statements in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom.

### **Summary**

- 3.1 During 2015/16, the Health and Social Care Partnership operated as a shadow board, until its 'integration start day' date on 01 April 2016, the date from which the delivery of its Strategic Plan commenced. As a result of the parliamentary process however, the date of establishment of the IJB as specified in the order and on which it became a legal entity was 06 February 2016.
- 3.2 The commencement date for delegation of functions to the IJB was 01 April 2016. Since this date did not occur during 2015/16, the IJB accounts do not need to include part-year contributions from NHS Borders or Scottish Borders Council or part-year payments from the IJB to respective partners for carrying out its directions.

- 3.3 As such, because the commencement date for delegation of functions and resources published in the Strategic Plan was 01 April 2016, the 2015/16 statutory accounts only require to include the operating costs of the IJB for the period from its establishment to 31 March 2016. This situation will obviously change for 2016/17, when fuller accounts will be required reflecting payment to / from the IJB.
- 3.4 Draft accounts were submitted to KPMG, the partnership's appointed External Auditor on 30 June 2016. Following a process of audit involving the supply of supplementary evidence, discussion and suggested amendments, a final draft version subject to audit opinion has been produced. This version is included as **Appendix 1** to this report.
- 3.5 **Appendix 2** details the External Auditor's draft Annual Audit Report to the Members of the IJB. When agreed, an Audit Certificate expressing the External Auditor's opinion over the Statement of Accounts will be provided for inclusion therein within it.
- 3.6 **Statement of Accounts**  
Under the Code of Practice on Accounting for Local Authorities in the United Kingdom, the IJB accounts must meet a number of specific reporting requirements. These include:
- Management Commentary
  - Statement of Responsibilities
  - Annual Governance Statement
  - Remuneration Report
  - Balance Sheet
  - Statement of Income and Expenditure
  - Statement of Accounting Policies and Notes to the Accounts
  - Audit Report
- 3.7 The Partnership's governance arrangements determine who is responsible for signing the financial statements, following specification in Regulations under s.105 of the Local Government (Scotland) Act 1973. This is provided for within the Statement.

### **External Audit Conclusions and Recommendations**

- 3.8 A statement containing the audit opinion of the External Auditor has been received along with the final Annual Audit Report for 2015/16 and Management Representation Letter. The Statement is included in the section Independent Auditor's Report of the IJB Statement of Accounts 2015/16. There are no matters that are required to be brought to the attention of the IJB Audit Committee.

3.9 Within the Annual Audit Report for 2015/16, the External Auditor has made a number of conclusions over the Statement of Accounts 2015/16 and the wider operation of the IJB during the period to 31 March 2016, based on the audit work undertaken. In summary, these are:

*Significant Risks*

*There are no findings in relation to fraud risk or over-ride of controls.*

*The accounts have been prepared in accordance with relevant legislation and guidance within which the remuneration report has been appropriately produced.*

*Financial Sustainability*

*The IJB is financially sustainable and a going concern.*

*Financial Management*

*The Chief Financial Officer (interim) has been appointed and has appropriate skills, capacity and experience.*

*Governance and Transparency*

*The IJB's governance framework is considered appropriate.*

*Value for Money*

*The IJB has evidenced using its resources for the purposes of meeting initial set-up and operating costs*

3.10 Specific to Financial Sustainability, recommendations have been made by the External Auditor. Again, in summary, these are:

*Financial Sustainability*

1. *The IJB should agree funding levels for 2017-18 and 2018-19 as soon as possible from both partners to allow for budget setting and planning.*
2. *Plans should be put in place as a matter of urgency for efficiency savings.*
3. *Budget provision should be put in place for areas of emerging financial pressures. A risk register should be maintained and regularly updated as financial risks emerge. The budget should also be updated regularly to reflect these risks so that financial plans can be amended accordingly.*

3.11 Work is already ongoing in respect of the areas covered by these external audit recommendations.

3.12 No audit adjustments required to be made to the draft annual accounts and a small number of minor presentational adjustments were made to some of the financial statement notes on advice of the External Auditor.

## Recommendations

The IJB Audit Committee is asked to:

- a) Consider the audited IJB Statement of Accounts for the operating activities of the IJB from the period of its establishment (06 February 2016) to 31 March 2016, and approve the Accounts for signature by the appropriate individuals and for submission to the IJB; and
- b) Consider 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 recommend the Audit Report for submission to the IJB.

<b>Policy/Strategy Implications</b>	The Public Bodies (Joint Working) (Scotland) Act 2014 requires that the Integration Joint Board is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973.
<b>Consultation</b>	The audited IJB Statement of Accounts 2015/16 and the IJB Annual Audit Report 2015/16 have been shared with the NHS Borders' Director of Finance and Scottish Borders Council's Chief Financial Officer and the partner organisations' Audit Committees (or equivalent) for noting as part of the governance arrangements.
<b>Risk Assessment</b>	To be reviewed in line with agreed IJB Risk Management Strategy. The key risks outlined in the report form part of the draft financial risk register for the partnership. The external audit recommendations are designed to mitigate associated risks.
<b>Compliance with requirements on Equality and Diversity</b>	There are no equalities impacts arising from the report.
<b>Resource/Staffing Implications</b>	No resourcing implications beyond the financial resources identified within the report.

### Approved by

Name	Designation
Paul McMenamin	Interim IJB Chief Financial Officer

### Author(s)

Name	Designation
Paul McMenamin	Interim IJB Chief Financial Officer