

## AUDIT COMMITTEE



### INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2016/17

#### Aim

- 1.1 The aim of this report is to present, for approval, the final audited Annual Accounts of the Integration Joint Board (IJB) for the period to the 31 March 2017, complying with its statutory responsibility to produce financial statements in respect of financial year 2016/17.

#### 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. They must also comply however, with the public-sector requirement for transparency and true and fair financial reporting. Whilst they 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 Integration Joint Board accounts require preparation in draft by 30 June each financial year, subject to audit, following which they require approval by the IJB Audit Committee by 30 September. They also require noting by the IJB itself following this approval by the Audit Committee.
- 2.4 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.

#### 2016/17 Annual Accounts

- 3.1 The Scottish Borders Health and Social Care Partnership Integration Joint Board was established on 06 February 2016, prior to which it operated as a shadow board. The commencement date for delegation of functions to the IJB was 01 April 2016. Since this date did not occur during 2015/16, the previous year's IJB accounts did 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.

- 3.2 This situation has therefore changed for 2016/17 and fuller accounts are required reflecting payment to / from the IJB in respect of functions delegated to it and services commissioned by it.
- 3.3 Draft accounts were presented to the IJB Audit Committee for noting on 26 June 2017 and submitted to Audit Scotland, the partnership's appointed External Auditor, immediately after. Following a process of independent audit involving the supply of supplementary evidence, explanatory information and incorporation of suggested presentational amendments, a final version incorporating the External Auditor's audit opinion has been agreed. This version is included as [Appendix 1](#) to this report.
- 3.4 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
  - Remuneration Report
  - Statement of Responsibilities
  - Annual Governance Statement
  - Independent Auditor's Report
  - Statement of Accounts
  - Disclosure Notes to the Accounts
- 3.5 The Partnership's governance arrangements determine who is responsible for signing the financial statements by 30 September each year, following specification in Regulations under s.105 of the Local Government (Scotland) Act 1973. This is provided for within the Annual Accounts and consists of the IJB Chair, Chief Officer and Chief Financial Officer where relevant. The accounts also require signing by the Independent Auditor by the same date.

### **Independent Auditor's Conclusions and Recommendations**

- 4.1 The external Independent Auditor submitted the 2016/17 Draft Annual Audit Report on 12 September 2017. It remains draft as, whilst the work of the Independent Auditor is substantially complete, it is subject to the outstanding matters being concluded and final review of the resulting revised set of financial statements provided to them prior to the meeting of the IJB Audit Committee on 25 October 2017.
- 4.2 This will enable the Independent Auditor to issue an unqualified auditor's report on 26 September 2017.
- 4.3 [Appendix 2](#) details the External Auditor's draft Annual Audit Report to the Members of the Scottish Borders Integration Joint Board and the Accounts Commission, together with the Letter of Representation. In addition to the auditor's judgement on the 2016/17 Annual Accounts, it also contains a detailed evaluation of the activities of the IJB against the four dimensions of audit that frame the wider scope of public

sector audit requirements – Financial Sustainability, Financial Management, Governance & Transparency and Value for Money.

4.4 The report also recommends an Action Plan based on the 2016/17 Annual Accounts Audit.

4.5 In summary, the Key Messages highlighted within the draft Annual Audit Report are:

### **2016/17 Annual Accounts**

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

### **Financial management**

- 2 The Integration Joint Board (IJB) has appropriate and effective budgetary processes in place which provide timely and reliable information for monitoring financial performance.

### **Financial sustainability**

- 3 We concluded that the IJB has adequate financial planning arrangements in place.

### **Governance and transparency**

- 4 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the board. However improvements to the arrangements have been identified, including a need to focus on strategic issues rather than operational matters.
- 5 The Chief Officer and Chief Financial Officer are both leaving their post in September 2017. Changes in key personnel could impact on the ability of the IJB to deliver its strategic objectives.
- 6 Arrangements for the monitoring and reporting of risks relating to the IJB are not yet fully embedded at the board.

### **Value for money**

- 7 A performance management framework has been prepared but still needs to be developed and embedded. Performance has started to be reported quarterly to the IJB.
  - 8 An Annual Performance Report for 2016/17 was produced in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.
- 4.6 An unqualified audit opinion on its statutory financial reports and recognition of the robustness of its governance, financial planning and budgetary control arrangements by the Independent Auditor provides the IJB not only with assurance over the financial aspects of its operations, but is a measure of the progress made

since its establishment on 06 February 2016. A number of other findings by the Independent Auditor specifically in relation to the Annual Accounts such as in relation to the standard of supporting working papers or the lack of need to make any material adjustments to the accounts is also very positive, given that this is the IJB's first full year's set of financial statements, with only presentational or disclosure issues requiring adjustment either within the IJB accounts or its partners'.

- 4.7 A number of key points have been highlighted for further development however. These largely are driven by where the IJB is in the ongoing development of its governance, planning, management and reporting arrangements and cover areas such as risk management, performance management and further development of the budget planning and management of the large hospital budget retained and set-aside. These form the key recommendations within the Action Plan set out by the Independent Auditor and will be progressed to completion during 2017/18.

### Recommendation

The Health & Social Care Integration Joint Board Audit Committee is asked to **approve** the report and **approve** the 2016/17 Annual Accounts.

The Health & Social Care Integration Joint Board Audit Committee is asked to **note** the conclusions and recommendations made within the draft Annual Audit Report for the year-ended 31 March 2017.

<b>Policy/Strategy Implications</b>	The requirement for the Integration Joint Board to produce Annual Accounts for 2016/17 is contained within Regulation 5 (1) of the Local Authority Accounts (Scotland) Regulations 1985.
<b>Consultation</b>	Following preparation of the Annual Accounts for 2016/17, consultation has taken place between the partnership's Chief Financial Officer, NHS Borders' Director of Finance, Scottish Borders Council's Chief Financial Officer and the Chief Internal Auditor of the Integration Joint Board. The Chief Financial Officer has worked closely with the Independent Auditor during the external audit of the accounts process.
<b>Risk Assessment</b>	There are no risks directly arising from this report. The accounts are now audited and the Independent Auditor has expressed an opinion that they represent a true and fair view of the IJB's financial affairs during 2016/17 and at the 31 March 2017. The Independent Auditor has made a number of recommendations within the Management Letter and Audit Report that require consideration and addressing by the IJB and its officers.
<b>Compliance with requirements on Equality and Diversity</b>	There is no impact on the partnership's equality and diversity requirements arising

	from this report.
<b>Resource/Staffing Implications</b>	The accounts and their underlying supporting records contain all financial information for the partnership's activities to 31st March 2017.

**Approved by**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
Paul McMenamin	Chief Financial Officer		

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Name</b>	<b>Designation</b>
Paul McMenamin	Chief Financial Officer		