

**AUDIT COMMITTEE  
17 SEPTEMBER 2018****INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2017/18****Aim**

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 2018, complying with its statutory responsibility to produce financial statements in respect of financial year 2017/18.

**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 The accounts should 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.

**2017/18 Annual Accounts**

- 3.1 The Scottish Borders Health and Social Care Partnership Integration Joint Board was established on 06 February 2016. Financial year 2016/17, as a result, represented the first full year of operation since the establishment of the IJB. The accounts appended herein for the year ended 31 March 2018 therefore represent the second full year of operation of the IJB.

- 3.2 Draft accounts were presented to the IJB Audit Committee for noting on 25 June 2018 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.
- 3.3 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
- 3.4 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 2017/18 Draft Annual Audit Report in early September 2018. 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.
- 4.2 This will enable the Independent Auditor to issue an unqualified auditor's report on 17 September 2018 following approval of the accounts by the Audit Committee.
- 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 2017/18 Annual Accounts, it also contains a detailed evaluation of the activities of the IJB against three dimensions of audit that frame the wider scope of public sector audit requirements – Audit of the Accounts, Financial Management and Sustainability and Governance, Transparency and Best Value.
- 4.3 The report also recommends an Action Plan based on the 2017/18 Annual Accounts Audit.
- 4.4 In summary, the Key Messages highlighted within the draft Annual Audit Report are:

## 1 2017/18 Annual Report and Accounts

Scottish Borders Integration Joint Board's (IJB) financial statements give a true and fair view and were properly prepared in accordance with applicable guidance.

## 2 Financial management and sustainability

The IJB reported a breakeven position for the year. This was achieved with the implementation of a recovery plan during the year and additional funding of £4.52 million from partners.

The IJB budget for 2018/19 has not been formally approved due to the high level of unidentified savings in the proposed budget, most of which relate to healthcare services.

## 3 Governance, transparency and best value

The IJB has adequate governance arrangements in place to support the scrutiny of decisions by the board. However improvements could be made in some areas, for example by updating the Communications and Stakeholder Engagement Plan and developing a clear policy on consulting partner organisation representatives.

Arrangements for the monitoring and reporting of risks relating to the IJB are not yet fully embedded.

The annual performance report covered the required areas under the Act. Performance reporting to the Board should continue to be further developed.

- 4.5 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 during its first two financial years of operation.
- 4.6 A number of key points have been highlighted for further development however. These relate to a range of factors such as the need for further development and approval of a fully identified and deliverable 2018/19 financial plan and the lack of assurance over the recovery in-year of a projected overspend position this financial year.
- 4.7 These form the key recommendations within the Action Plan set out by the Independent Auditor and will be progressed to completion during 2018/19.

### Recommendation

The Integration Joint Board Audit Committee is asked to **approve** the report and **approve** the 2017/18 Annual Accounts.

The 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 2018.

<b>Policy/Strategy Implications</b>	The requirement for the Integration Joint Board to produce Annual Accounts for 2017/18 is contained within Regulation 5 (1) of the Local Authority Accounts (Scotland) Regulations 1985.
<b>Consultation</b>	Following preparation of the Annual Accounts for 2017/18, consultation has taken place between the partnership's Chief Officer, NHS Borders' Director of Finance, Scottish Borders Council's Chief Financial Officer and the Chief Internal Auditor of the Integration Joint Board. The SBC Chief Financial Officer and his staff have 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 2017/18 and at the 31 March 2018. 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 2018.

#### Approved by

<b>Name</b>	<b>Designation</b>
David Robertson	Chief Financial Officer, Scottish Borders Council