



# **Aberdeen City Integration Joint Board**

**2015/16 Audit**

**Annual Audit Report to  
members and the  
Controller of Audit**

**August 2016**

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Stephen Boyle, Assistant Director, Audit Scotland is the engagement lead of Aberdeen City Integration Joint Board for the year 2015/16.

This report has been prepared for the use of Aberdeen City Integration Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in this report may be used for the Accounts Commission’s annual overview report on local authority audits published on its website and presented to the Local Government and Regeneration Committee of the Scottish Parliament.

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# Key messages

## Audit of financial statements

- 2015/16 financial statements cover an eight week accounting period from the date of establishment on 6 February 2016 to 31 March 2016 and therefore only corporate services costs of £27k require to be accounted for. An unqualified audit opinion has been provided.
- A high quality set of financial statements was produced encompassing a detailed Management Commentary and Annual Governance Statement which will provide a strong basis for future years

## Financial management & sustainability

- Joint budget monitoring reports with a commentary on variances and identification of financial risks are routinely considered by the board.
- The 2016/17 budget was agreed in March 2016 and supported by a detailed due diligence review. The board is however operating in a challenging financial climate with budget efficiencies required to deliver a break even position at 31 March 2017.

## Governance & transparency

- With the exception of performance management which is currently being developed, sound governance structures and processes have been put in place. The capability and capacity of the board was supported over the past year by the Good Governance Institute.

## Best Value

- The board has approved a performance management framework as required by the Public Bodies (Joint Working) (Scotland) Act 2014 and continues to develop the core measures which will form the basis of dashboard reporting.

## Outlook

- The board will continue to operate in a period of financial pressure with reduced funding in real terms, increasing cost pressures and a growing demand for services. All integration authorities need to continue to shift resources, including the workforce, towards a more preventative and community based approach.
- The board has put a range of structures and processes in place which will require regular review as they bed in to ensure they work as effectively as possible in supporting the work of the board.
- It is important that the board can demonstrate that these changes, which may take several years to fully evolve, are making a positive impact on service users and improving outcomes.

# Introduction

1. In October 2015, the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of Aberdeen City Integration Joint Board (Aberdeen City IJB). Our audit appointment is for one year, covering the 2015/16 financial year, the first accounting period for which the board is required to prepare financial statements.
2. Audit Scotland is responsible for public sector audit in Scotland with audit appointments generally covering a standard five year cycle. The financial year 2015/16 is the 5<sup>th</sup> year of the current five year cycle and because Aberdeen City IJB was established in the final year of the current cycle, the auditor was appointed for one year only.
3. From 2016/17, the auditor of Aberdeen City IJB will be KPMG. In accordance with agreed protocols and international standards on auditing we will be liaising with the incoming auditors as part of this transition.
4. Aberdeen City IJB was set up as a body corporate on 6 February 2016. It took responsibility for the services delegated to it by NHS Grampian and Aberdeen City Council with effect from 1 April 2016. Financial statements are required in respect of 2015/16 but are limited to the period from the date of establishment to 31 March 2016. In respect of Aberdeen City IJB, the accounting period covered a period of approximately eight weeks.
5. The management of the IJB is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
6. Our responsibility, as the external auditor of Aberdeen City IJB, is to undertake our audit in accordance with international standards on auditing, the principles contained in the Code of Audit Practice (the Code) issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board. A revised Code was issued in May 2016. While it is effective from 2016/17, the principles of the new Code have, where possible, been adopted early as part of the 2015/16 audit.
7. This report is a summary of our findings arising from the 2015/16 audit of the Aberdeen City IJB. The report is divided into sections which reflect our public sector audit model.
  - financial statements
  - financial management and sustainability
  - governance and transparency; and
  - value for money

8. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility to prepare financial statements which give a true and fair view.
9. [Appendix I](#) lists the audit risks that we identified in the annual audit plan we issued in March 2016. It also summarises the assurances provided by management to demonstrate that risks are being addressed and the conclusions of our audit work [Appendix II](#) summarises a number of national reports issued by Audit Scotland during the course of the year.
10. [Appendix III](#) is an action plan setting out our recommendations to address the high level risks we have identified during the course of the audit. Officers have considered the issues and agreed to take steps to address them. The board should ensure it has a mechanism in place to assess progress and monitor outcomes.
11. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
12. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# 2015/16 financial statements

## Submission of financial statements for audit

13. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the board should therefore be prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).
14. We received Aberdeen City IJB's unaudited financial statements on 28 June 2016, in accordance with the agreed timetable. The Local Authority Accounts (Scotland) Regulations 2014 (2014 Regulations) requires bodies covered by the regulations, including the IJB, to give notice that their accounts will be available for public inspection for a specified period and to make the unaudited accounts available on their websites. Aberdeen City IJB complied with these requirements.
15. The 2014 Regulations also require elected members to consider the unaudited accounts at a meeting no later than 31 August. The Aberdeen City IJB's Audit and Performance Systems Committee considered the accounts at its meeting on 11 August 2016.

16. This represents the first year in which the board had to produce financial statements and as such we recognised this risk in our annual audit plan. With only an eight week accounting period, there were limited transactions to account for in 2015/16. That said, a high quality set of financial statements was produced encompassing a detailed Management Commentary and Annual Governance Statement. This template will provide a sound basis for future years' accounts.

## Overview of the scope of the audit of the financial statements

17. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our annual audit plan presented to the Aberdeen City IJB in March 2016.
18. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the annual audit plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
19. The concept of audit risk is central to our audit approach. We focus on those areas that are most at risk of causing material misstatement in the financial statements. In addition, we consider what risks are present in respect of our wider responsibility, as public sector auditors, under Audit Scotland's Code of Audit

Practice. Appendix III sets out the risks we identified in respect of 2015/16.

20. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Going concern

21. The financial statements were prepared on a going concern basis. The integration scheme sets out the arrangements for addressing and financing any overspends or underspends. Underspends may be retained by the board, be carried forward to fund capacity in future years or alternatively, can be returned to the partner bodies. Where there is a forecast overspend, the partner bodies must agree a recovery plan to balance the budget and if this plan is insufficient in the first year, the overspend will be met by the partner with operational responsibility. In light of this agreement between the partners, we do not feel there are major risks associated with the IJB's ability to continue as a going concern in the immediate future.

## Materiality

22. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial statements. A misstatement or omission, which would not normally

be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

23. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
24. We summarised our general approach to materiality in our annual audit plan but, due to the unique situation with the IJB only having a few transactions for 2015/16, we indicated that we would not set materiality until we were in receipt of the financial statements.
25. We subsequently set our planning materiality for 2015/16 at £270 (or 1% of gross expenditure). Performance materiality was calculated at £240, to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level. Additionally, we set a misstatement threshold of £15 (approximately 5% of planning materiality) for reporting errors

## Evaluation of misstatements

26. The audit identified some presentational adjustments which were discussed and agreed with the Chief Finance Officer. These were largely explanatory comments in accordance with the Accounting Code or guidance which strengthened the level of disclosure in the accounts. No material monetary misstatements were identified during the audit.



## Significant findings from the audit

27. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
- the auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
  - significant difficulties encountered during the audit
  - significant matters arising from the audit that were discussed, or subject to correspondence with management
  - written representations requested by the auditor
  - other matters which in the auditor's professional judgment are significant to the oversight of the financial reporting process.
28. Table 1 provides a summary of the matters we are communicating to you in respect of the audit of the 2015/16 financial statements.

## Other information

29. We also review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We consider whether these reports have been properly prepared, comply with extant guidance and are consistent with the financial statements. We report any material errors or omissions, any material inconsistencies with the financial statements or any otherwise misleading content.

30. We have nothing to report in respect of the other information published as part of the annual accounts.

## Outlook

### Health and Social Care Integration

31. The board became fully operational on 1 April 2016 when delegated services transferred from NHS Grampian and Aberdeen City Council. The 2016/17 financial results for Aberdeen City IJB will therefore be material and will require to be consolidated into the council's and health board's accounts in 2016/17.
32. The board will have to ensure that procedures are in place for it to provide financial and non-financial information by a mutually agreed date to allow the council and health board to meet their statutory reporting obligations including the assurances required to support disclosures in the respective annual governance statements.



**Table 1: Significant findings from the audit**

Significant findings from the audit in accordance with ISA260
<p><b>1.Services in kind</b></p> <p>LASAAC's <i>Additional guidance on accounting for the integration of health and social care 2015/16</i> issued in September 2015 highlights that where support or services have been provided free of charge by partner bodies, the associated costs would not feature in the board's accounts but goes on to suggest that the scale of support be outlined in a note to the accounts. In line with the Aberdeen City IJB integration scheme, the partners have not charged for services provided. Note 1.7 to the accounts was subsequently amended to provide more information on the scale of support provided.</p>
<p><b>2.Holiday pay accrual</b></p> <p>The Accounting Code requires an accrual to be included in the accounts for untaken holiday leave at 31 March 2016. Having received confirmation that the chief officer had no outstanding leave at 31 March 2016, we are satisfied that no accrual needed to be included in the accounts.</p>

# Financial management and sustainability

33. In this section we comment on Aberdeen City IJB's financial performance and assess its financial management arrangements.
34. Financial sustainability means that the board has the capacity to meet its current and future plans. In assessing financial sustainability we are concerned with whether:
- spending is being balanced with income in the short term
  - long-term financial pressures are understood and planned for.
35. The board does not have any assets, nor does it directly incur expenditure or employ staff. All funding and expenditure relating to services managed by the board are incurred by the stakeholder parties and processed in their accounting records.

## Financial performance 2015/16

36. The board was established in February 2016 and became operational on 1 April 2016. Only corporate services costs that relate to the general running of the body were recognised in the 2015/16 financial statements. The integration scheme highlights that corporate services costs are shared by the partners therefore expenditure in the period which amounted to £26,809 was matched by income from its partners.
37. From July 2015, the shadow board received regular joint monitoring reports on expenditure against both NHS and council budgets
38. Internal audit's report *Pre-Integration Financial Assurance* was considered by the IJB and Partners in March 2016 and highlighted the main risk as being the potential failure to deliver delegated services within the budget available. The chief internal auditor, however, noted that the integration scheme made provision for dealing with potential budget overspends and if the process were to be unsuccessful the scheme also contains a dispute resolution process.
39. The chief internal auditor also provided a summary of progress on the preparation of key governance documents and while he had some concerns about their availability by 1 April 2016, they were approved at the final meeting of the shadow board in March 2016.
40. Progress was also noted in relation to the ongoing development of performance measures, decision making on a locality basis and sharing financial information beyond the joint monitoring reports between officers of the partner bodies. These issues continue to be part of the ongoing business of the IJB in 2016/17.

## Financial management arrangements and planning

41. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- the chief financial officer has sufficient status to be able to deliver good financial management

- standing financial instructions and standing orders are comprehensive, current and promoted within the board
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - board members provide a good level of challenge and question budget holders on significant variances.
42. An Interim Chief Financial Officer was appointed with effect from 6 February 2016 until a permanent appointment was made in June 2016. The chief finance officer is responsible for ensuring that appropriate financial services are available to the IJB and the chief officer.
43. The shadow board at its final meeting in March 2016 approved a range of documentation in preparation for Aberdeen City IJB taking operational responsibility from 1 April 2016. This included standing orders and financial regulations. In addition, the Strategic Plan including the IJB's 2016/17 budget was approved. These documents were subsequently affirmed by the IJB at its initial meetings in 2016/17.
44. Following the chief internal auditor's report, a detailed due diligence report was prepared for the IJB and the partners, providing a comprehensive explanation of the 2016/17 budget which totalled £252m and reflected savings of £2.6m

45. The integration scheme highlights that financial reports will be considered by the board on a timely basis, at least quarterly, and include as a minimum annual budget, full year outturn projection and commentary on material variances. In practice, the commentary is comprehensive and the report includes identified financial risks with mitigating actions.

## Conclusion on financial management and sustainability

46. Overall, sound financial management processes had been implemented to support the IJB when it took operational control at 1 April 2016. These need to be kept under review during the first year of operation to ensure the needs of the board are being met.

## Outlook

47. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets. This puts further pressure on finances.
48. The first quarter's financial report for 2016/17 has projected an overspend of £1.3m on mainstream budgets due to prescribing which is considered a highly volatile budget. This has been identified as a financial risk with action planned by the Executive Team to manage the budget.

# Governance and transparency

49. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with board members drawn from a wide range of backgrounds.
50. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. This Act provided the framework for the integration of health and social care services in Scotland. An integration scheme was agreed and the Public Bodies (Joint Working) (Integration Joint Board Establishment) (Scotland) Amendment Order 2016 established Aberdeen City Integration Joint Board on 6 February 2016.
51. The board comprises a wide range of service users and partners required by the regulations including four elected councillors nominated by the council and four Directors nominated by NHS Grampian. To assist the board discharging its function, it set up an Audit and Performance Systems Committee and a Clinical Care Governance Committee.
52. A Chief Officer was appointed with effect from 1 October 2014 and from 1 April 2015, she has had responsibility for planning and delivery of Community Health Partnership services and social care services in Aberdeen. She is directly accountable to the board for all of its responsibilities and to the chief executives of both the council and NHS Grampian and provides regular reports to both the council and the NHS board.
53. Recognising the challenges facing the new board and the extent of its responsibilities, the Good Governance Institute (GGI) were commissioned to work with the shadow board to build capacity and capability and to determine the board's risk appetite as the new arrangements continued to evolve.
54. With GGI's support, the board was able to establish a range of governance processes and structures including risk management, assurance frameworks and strategy development and delivery. In addition, significant work was undertaken to build the capability of the board and its working dynamics.
55. On conclusion of the work in summer 2016, GGI reminded the board of the need to review and refresh the processes and structures in place to ensure the ongoing effectiveness of working practices.
56. The Public Bodies (Joint Working) (Scotland) Act sets out the requirements for integration authorities. These include a:
- strategic plan setting out their arrangements to achieve or contribute to national health and wellbeing outcomes
  - quality and governance framework including performance management arrangements
  - workforce development plan
  - due diligence process covering devolved budgets.

57. Aberdeen City IJB and previously the shadow board were actively progressing these strands of work throughout 2015/16 to ensure their completion by 1 April 2016. In particular, the following were in place:

- the North East Partnership Steering Group which includes representation from the three north east integrated joint boards and meets with NHS Grampian to discuss strategic issues
- from July 2015, the IJB has received integrated budget monitoring statements

58. The integration scheme between Aberdeen City Council and NHS Grampian sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.

59. Overall the Board have appropriate governance arrangements in place to provide a framework for effective organisational decision making. These arrangements continue to develop with the board becoming operational from 1 April.

## Internal control including internal audit and scrutiny arrangements

60. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this

work should also be informed by their assessment of risk and the activities of internal audit.

61. Aberdeen City Council and NHS Grampian are the IJB partner bodies. All financial transactions of the board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny of the council and health board, including the work performed by internal audit.
62. Internal audit arrangements have been put in place for 2016/17 with the pending appointment of the chief internal auditor of Aberdeenshire and Aberdeen City Councils. Internal audit activity in 2015/16 was restricted to the Pre-Integration Financial Assurances outlined earlier in this report.
63. The proposed internal audit plan for 2016/17 will focus on a post implementation review of health and social care integration in accordance with the Integration Resource Advisory Group guidance. In addition, assurances will be drawn from relevant internal audit activities in the partner bodies.
64. In 2016/17, the board is operational and therefore transactions between the IJB and partner bodies will be more fluid. This provides a challenge for auditors since the annual audit plans of each partner are based on carrying out audit work which may be based on the accounting systems and governance arrangements that relate only to the partner that the auditor is appointed to.

65. In March 2016, Aberdeen City IJB set up an Audit and Performance Systems Committee. Terms of reference were agreed in May and will be subject to six monthly review to ensure their ongoing appropriateness in supporting the IJB. The committee has a wide scrutiny remit including performance review, governance and audit.

## **Arrangements for the prevention and detection of fraud and other irregularities**

66. Aberdeen City IJB's financial regulations approved in March 2016 highlight that the board and its representatives have a duty to inform the chief finance officer or chief internal auditor of any suspicion of fraud, irregularity or any other matter concerning the contravention of the Financial Regulations.
67. The regulations offer a number of contact points for advice including the NHS Counter Fraud Services and directs board members and representatives to partner bodies' fraud policies and processes.
68. We concluded that these arrangements are sufficient but should be kept under review.

## **Arrangements for maintaining standards of conduct and the prevention and detection of corruption**

69. The board are responsible for establishing arrangements for ensuring the proper conduct of the affairs of Aberdeen City Integration Joint Board and for monitoring the adequacy of these arrangements.

70. Aberdeen IJB's standing orders requires that all members must comply with the Councillors' Code of Conduct produced by the Standards Commission. A standards officer was appointed in March 2016 and a register of interests for voting members is being currently being collated.

## **Transparency**

71. Local residents should be able to hold the IJB to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the board is taking decisions and how it is using its resources.
72. The IJB website contains relevant information for the public including the integration scheme, strategic commissioning plan, agendas and minutes of the board meetings. IJB meetings are open to the public since 1 April 2016 with advance papers available through the IJB and council websites. Committees to the board were held in private for the first six months but will now also be held in public. As already mentioned, a register of interests for voting members is currently being developed
73. Overall we concluded that the board has set up its processes with an eye to being open and transparent and with regular reviews planned.

## Outlook

- 74. The board will operate in a challenging environment with continuing financial pressures, exacting performance targets to meet, and the need to be well positioned to deliver the Scottish Government's aim of having people living longer and healthier lives at home or a homely setting (i.e. the 2020 Vision).
- 75. The design of boards brings the potential for real or perceived conflicts of interest for board members and senior managers. Partners need to be clear regarding how governance arrangements will work in practice, particularly when disagreements arise. This is because there are potentially confusing lines of accountability, which could hamper the board's ability to make decisions about the changes involved in redesigning services. The public may also be unclear who is ultimately responsible for the quality of care.
- 76. Embedding robust governance arrangements will be an essential element in meeting these challenges and maintaining accountability. All stakeholders including patients, clinicians, carers, the public, staff, partner bodies and the Scottish Government, benefit from the assurance and confidence a good governance regime brings.

## Value for money

- 77. The Public Bodies (Joint Working) (Scotland) Act 2014 set out a broad framework for creating integration authorities and gave councils and NHS boards a great deal of flexibility to enable them to develop integrated services that are best suited to local circumstances. The integration scheme specifies the wide range of functions delegated by the council and NHS Grampian to the IJB.
- 78. Integration authorities need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account. There is also a need for regular reporting to partner organisations. Integration authorities are required to contribute towards nine national health and wellbeing outcomes.

## Arrangements for securing value for money

- 79. The main purpose of integration is to improve the wellbeing of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. The integration scheme is intended to achieve the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers.
- 80. The board in March 2016 approved a performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. The detail of the framework continues to be developed with the aim of producing a dashboard



type report covering a number of core performance measures in 2017. Until these measures are in place, it may be difficult for the Aberdeen City IJB to provide assurances on whether it is meeting its objectives.

***Refer Action Plan number 1***

81. The Audit and Performance Committee has been established with a view to monitoring the performance of the board towards achieving its policy objectives and priorities.

## National performance audit reports

82. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which are of direct interest to the board. These are outlined in [Appendix II](#) accompanying this report.
83. Audit Scotland published a national report *Health and social care integration* in December 2015. The national report highlighted:
- the need to set out clearly how governance arrangements will work in practice
  - that strategic plans do more than set out the local context for reforms. The plans should look to deliver care in different ways, that better meets people's needs and improves outcomes
  - the need to agree budgets for the board. The budgets should cover more than one year to give boards the continuity and certainty they need to develop and implement strategic plans.

Boards should be clear about how they will use resources to integrate services and improve outcomes.

84. Progress against the recommendations in this report was considered by the Aberdeen City IJB in December 2015. Audit Scotland plans to re-visit health and social integration in future years to assess progress and impact.

## Outlook

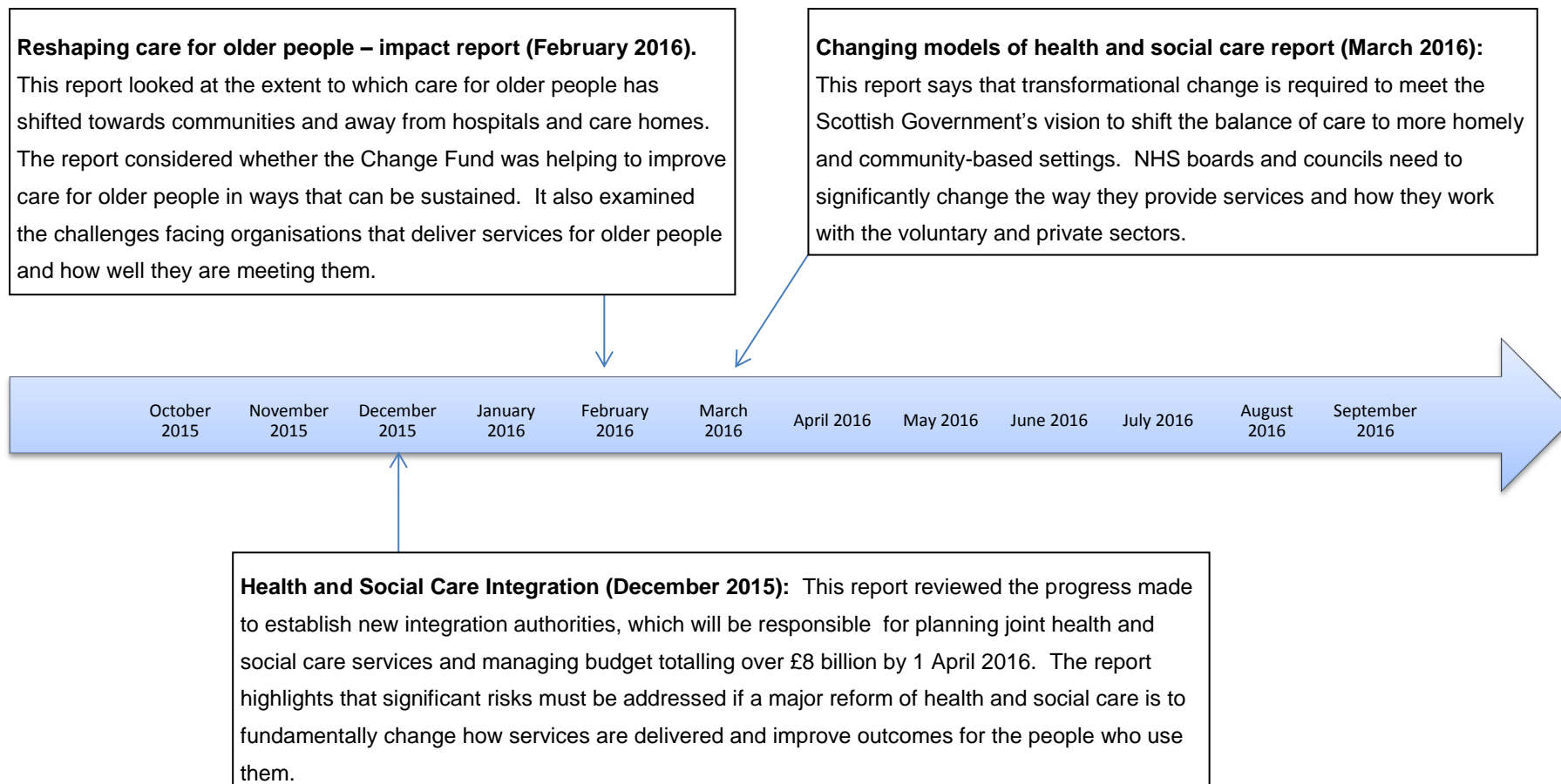
85. Pressures on health and social care services are likely to continue to increase for the foreseeable future. These increasing pressures have significant implications on the cost of providing health and social care services and challenges in ensuring that people receive the right care, at the right time, and in the right setting.
86. The board is responsible for co-ordinating health and social care services and commissioning NHS Grampian and Aberdeen City IJB to deliver services in line with the strategic plan. Over time, the intention is that this will lead to a change in how services are provided, with a greater emphasis on preventative services and allowing people to receive care and support in their home or local community.
87. The board will need to demonstrate and report whether this is making a positive impact on service users and improving outcomes. To help achieve this, it is important that the board has strategies covering the workforce, risk management, engagement with service users, and data sharing arrangements which help to enable delivery of the board's strategic priorities.

# Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion

Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement in the financial statements</b>		
<p><b>Financial Statements</b></p> <p>The board is a new body and may not yet have the processes and procedures in place to provide the required financial information in accordance with statutory reporting requirements.</p> <p><i>Risk: Financial statements disclosures and supporting working papers will not be prepared to the required quality and by agreed timescales.</i></p>	<p>Review the board's arrangements to ensure the proper conduct of its financial affairs.</p>	<p>The accounts presented for audit were of a high standard, and included a comprehensive management commentary and annual governance statement. These unaudited accounts were available for public inspection and were considered by the Audit and Performance Systems Committee in August 2016.</p> <p>A number of additional disclosures were discussed with the chief finance officer and amendments made to the accounts. These were largely explanatory comments in accordance with the Accounting Code or guidance which strengthened the level of disclosure in the accounts.</p> <p>Going forward, there will need to be early agreement on the timetable to ensure an appropriate date is scheduled for the audit committee to consider and approve the audited accounts.</p>
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<p><b>Financial, governance and performance framework</b></p> <p>The board was established in February 2016. The Integration Scheme commits the board to developing a governance and performance framework covering a number of key areas.</p> <p><i>Risk: Governance and performance arrangements are not fit for purpose.</i></p>	<p>Monitor the development of the governance framework and comment in our Annual Audit Report.</p>	<p>Overall, the board have appropriate governance and performance arrangements in place to provide a framework for effective organisational decision making. Many of these arrangements are at an early stage of implementation and continue to develop with the board only becoming operational from 1 April 2016. For example, the board has yet to fully develop performance measures aligned to the strategic plan.</p>

## Appendix II: Audit Scotland national reports



## Appendix III: Action plan

No.	Paragraph ref.	Issue/Risk/Recommendation	Management action/response	Responsible officer / Target date
1	80	<p>The board has approved a performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. However, performance measures are currently being developed.</p> <p><b>Risk</b></p> <p><i>The board cannot effectively monitor the delivery of its strategic objectives.</i></p> <p><b>Recommendation</b></p> <p>The board should aim to implement and monitor key performance measures, even on a phased basis, as soon as possible.</p>	Progress is being made and a short life working group is established and working on developing the framework for approval by the IJB.	Kevin Toshney/December 2017