

# West Dunbartonshire IJB

2016/17 Annual Audit Report



 AUDIT SCOTLAND

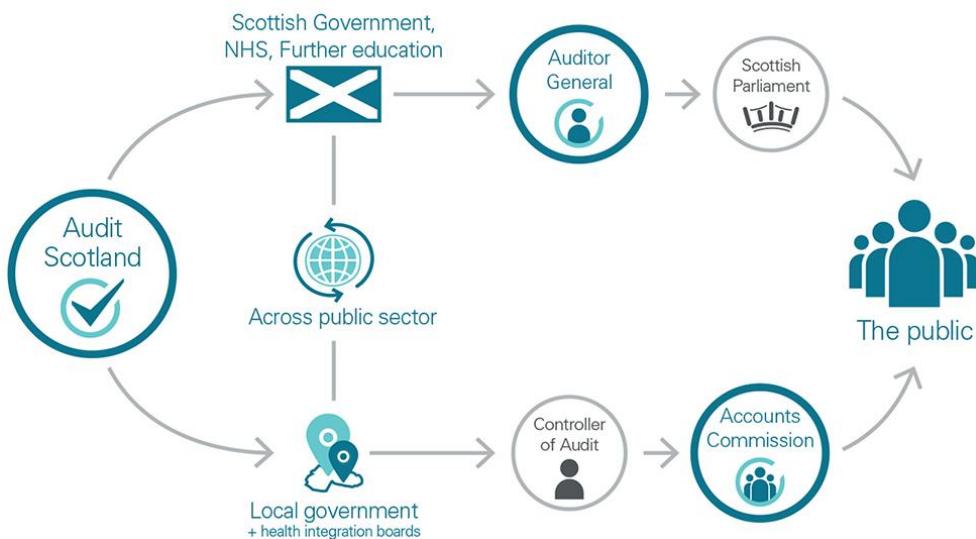
Prepared for the West Dunbartonshire IJB and the Accounts Commission

20 September 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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# Key messages

## 2016/17 annual accounts

- 1 The financial statements of West Dunbartonshire Integration Joint Board (WDIJB) for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.
- 2 We have issued an unqualified independent auditor's report on the Annual Report and Accounts for 2016/17.

## Financial management

- 3 WDIJB current budgetary process arrangements provide timely and reliable information for monitoring financial performance. However these arrangements should be strengthened by producing a year end report reconciling any differences between the budget reports and the unaudited accounts.
- 4 WDIJB achieved a surplus of £3.956 million. This is retained by the joint board in accordance with the integration scheme, to support financial management in future years.

## Financial sustainability

- 5 WDIJB now holds cumulative reserves of £5.568 million. £3.488 million has been earmarked for specific purposes with the balance held as a contingency fund.
- 6 The Board approved the 2017/18 budget at their meeting on the 23 August 2017, almost six months into the financial year. This was due to delays in agreement of the health allocation to WDIJB.
- 7 WDIJB should develop medium to long term financial planning to mitigate the risk of future funding gaps and potential delays in agreeing funding allocations.

## Governance and transparency

- 8 WDIJB has effective governance arrangements in place.
- 9 Internal audit arrangements and expectations need to be further clarified and formalised between the IJB and NHS Greater Glasgow & Clyde (NHSGGC).

## Value for money

- 10 The Annual Performance Report was formally approved and submitted on 23 August 2017, missing the statutory publication deadline of 31 July 2017. However we note that the draft report was available through committee reports a week after the deadline and the Scottish Government had been made aware of this.

- 11** The IJB should continue to develop systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on its arrangements to promote continuous improvement and value for money in service provision.

# Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of West Dunbartonshire IJB, hereby referred to as the 'WDIJB'. The report is divided into sections which reflect our public sector audit model.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 special meeting of the Board. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

## Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2016/17 have been:
  - an interim audit of WDIJB's governance arrangements
  - obtaining service audit assurances from the auditors of NHS Greater Glasgow & Clyde (NHSGGC) and West Dunbartonshire Council (WDC)
  - an audit of WDIJB 2016/17 annual accounts.
4. WDIJB is responsible for preparing the annual accounts that show a true and fair view and, for establishing effective arrangements for governance, which enable them to successfully deliver their objectives.
5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

6. These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance, and use of resources. In doing this, we aim to support improvement and accountability.
7. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
8. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 21\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
9. Communication in this report of matters arising from the audit of the annual accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
11. This report is addressed to both the Board and the Accounts Commission and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).
12. We would like to thank all management and staff who have been involved in our work for their co-operational and assistance during the audit.

# Part 1

## Audit of 2016/17 annual accounts



### Main judgements

The financial statements of the joint board for 2016/17 give a true and fair view of the state of its affairs and of its net expenditure for the year.

We have issued an unqualified independent auditor's report on the Annual Accounts for 2016/17.

### Unqualified audit opinions

**13.** The annual accounts for the year ended 31 March 2017 were approved by the Board on 20 September 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- unqualified opinions on the remuneration, management commentary and the annual governance statement.

**14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

### Submission of annual accounts for audit

**15.** We received the unaudited financial statements on 14 June 2017, in line with our agreed timetable within our Annual Audit Plan.

**16.** Information on year-end balances for consolidation purposes was provided by WDIJB to NHSGGC by the 30 May 2017, in line with the agreed timetable.

**17.** The preparation of the WDIJB financial statements relies on the provision of timely and reliable information from the systems of WDC and NHSGGC. Assurances were received by the IJB's Chief Financial Officer from its host bodies confirming the completeness and accuracy of the information supplied.

**18.** The working papers provided with the unaudited annual accounts were of a good standard and finance staff, including the Chief Financial Officer, provided good support to the audit team which helped ensure the final accounts audit process ran smoothly.

The annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

### Risks of material misstatement

**19.** [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the

greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and conclusions.

## Materiality

**20.** Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

**21.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and was reported in the Annual Audit Plan. We assess the materiality of uncorrected misstatements, both individually and collectively.

**22.** On receipt of the unaudited accounts we recalculated materiality and this is summarised at [Exhibit 2](#)

## Exhibit 2

### Materiality values

Materiality level	Amount
<b>Overall materiality</b> - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£1.8million
<b>Performance materiality</b> - 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 50% of overall materiality.	£0.91 million
<b>Reporting threshold</b> - 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 overall materiality.	£0.018 million

## Significant findings

**23.** International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. These are summarised in [Exhibit 3 \(page 10\)](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 21\)](#) has been included.

## Agency Income and Expenditure

**24.** On behalf of all IJBS within the Greater Glasgow & Clyde (GGC) area, the WDIJB acts as the lead manager, or host, for a number of delegated services. Similarly other IJBS' within GGC area act as the lead manager, or host, for a number of delegated services on behalf of WDIJB.

**25.** According to the Code of Practice, by which the accounts of WDIJB are prepared, any transactions not relating to WDIJB should not feature within its financial statements.

**26.** For 2016/17 the payments that were made on behalf of the other GGC IJBs' (and the consequential reimbursement) are removed from the Comprehensive Income and Expenditure Statement (CIES). Similarly the payments that are made by the other IJBs on behalf of WDIJB (and the consequential reimbursement) are included in the CIES since this expenditure is incurred for the residents of West Dunbartonshire.

**27.** For 2015/16 there was no comparative data. Therefore in line with the Code of Practice we requested that management restate 2015/16 figures with the removal of the total cost of services hosted by WDIJB as there was no available cost data linking activity across all partnerships to expenditure.

**28.** The value of hosted services for the 9 months of 2015/16 was £5.128 million and when included the total "taxation and non-specific grant income" equals £118.865m which represents the actual funding for 2015/16.

## **Other findings**

**29.** We identified a number of other presentational and disclosure issues in the draft accounts. These were discussed with management and were adjusted for and have been reflected in the audited financial statements.

## Exhibit 3

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Hospital Acute Services (Set Aside)</b></p> <p>A notional figure for the 'set aside' for hospital acute services under the control of WDIJB has been agreed with NHSGGC and included in the NHSGGC and WDIJB 2016/17 annual accounts. This is based on 2015/16 activities and the levels have been up-rated to reflect the 2016/17 position.</p> <p>As such the, the set aside sum disclosed within the 2016/17 annual accounts does not accurately reflect actual hospital use.</p>	<p>The Comprehensive Income and Expenditure Account in the annual accounts correctly incorporates the set aside costs.</p> <p>This is a transitional arrangement for 2016/17 which was agreed by the Scottish Government. Therefore this disclosure has been accepted for 2016/17.</p> <p><u><a href="#">Action Plan (Appendix 1, point 1)</a></u></p>

# Part 2

## Financial management



### Main judgements

**Current budgetary process arrangements provide timely and reliable information to the Board. However these arrangements should be strengthened by producing a year end report reconciling any differences between the budget reports and the unaudited accounts.**

**No weaknesses in internal controls were identified by either host body systems which are used to process IJB transactions.**

### Financial management

**30.** Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.

**31.** 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 WDIJB
- 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
- WDIJB members provide a good level of challenge and question budget holders on significant variances.

**32.** The previous Chief Financial Officer retired in October 2016 and the current Chief Financial Officer has been in post from August 2016, therefore there was a sufficient handover period between the outgoing and incoming CFO.

**33.** WDIJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure for WDIJB is incurred by partners' bodies and processed in their accounting records.

**34.** Three budget monitoring reports were reported to the Board during 2016/17, in line with the number of Board meetings. During the course of the financial year, the position changed significantly from a deficit (£1.408m) to a strong surplus

**Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.**

(£2.774m). This was mainly due to the unapplied Social Care Fund being omitted from earlier reports.

**35.** Budget monitoring reports for 2016/17 were submitted to the Board, with the unaudited accounts being submitted to the Audit Committee.

**36.** Following the year end, a report was taken to the May 2017 Board meeting which highlighted that since the March 2017 meeting the anticipated surplus for the year increased from £2.774 million to £3.112 million.

**37.** Subsequently the accounts which were taken to the June 2017 Audit Committee noted a year end surplus of £3.956m. The variance was mainly due to the delay in the opening of the Dumbarton Care Home (£0.250 million) and an increase in the surplus from the Health Board (£0.396 million) which related to part achievement of 2016/17 savings in Learning Disability and Mental Health not approved until late in the financial year.

**38.** While we note that a verbal update was provided on the accounts, a report which reconciled the movements from the final outturn report to the accounts was not provided. This should be provided to the Board as part of their financial monitoring responsibilities as well as the Audit Committee so that they may sufficiently scrutinise and challenge any movements from outturn reports throughout the year.

#### Action Plan (Appendix 1, point 2)

### Financial performance in 2016/17

**39.** The outturn is identified in [Exhibit 4](#). The underspend of £3.956 million has been retained by WDIJB with the reserves being apportioned between earmarked and contingency funds.

### Exhibit 4

#### Budget Summary

IJB budget objective summary	Funding	Expenditure	Variance
	£m	£m	£m
NHS Greater Glasgow & Clyde (NHSGGC)	105.477	104.897	(0.580)
West Dunbartonshire Council (WDC)	62.216	58.840	(3.376)
<b>Total Net Expenditure</b>	<b>167.693</b>	<b>163.737</b>	<b>(3.956)</b>
Reserves retained by WDIJB comprised of:			
Earmarked Reserves – for health services	-	-	0.580
Earmarked Reserves – for social care services	-	-	1.835
Surplus from health services	-	-	0.000
Surplus from social care services )	-	-	1.541

### Internal controls

**40.** WDIJB does not have any financial system of its own; instead it relies upon the financial system of its host bodies; NHSGGC and WDC to record all transactions.

The key financial systems which WDIJB relies upon include general ledger, trade payables, trade receivables and payroll.

**41.** As part of our audit approach we sought assurances from the external auditor of NHSGGC and WDC (in accordance with ISA 402) and confirmed there were no weaknesses in the systems of internal controls.

# Part 3

## Financial sustainability



### Main judgements

**WDIJB should develop medium to long term financial plans to demonstrate financial sustainability and support future developments.**

#### Financial planning

**42.** WDIJB allocates the resources it receives from NHSGGC and WDC in line with the Strategic Plan. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget and no issues were identified.

**43.** The budget for 2017/18 was approved by the Board at its meeting on 23 August 2017, almost six months into the financial year. The allocation from WDC was agreed at the March 2017 meeting of the Board, however the initial allocation from NHSGGC was rejected by WDIJB at that time due to the fact that the application of historic savings targets would bring the contribution from NHSGGC below 2016/17 cash levels. This means that till August 2017, the Board was operating without a fully approved budget.

[Action Plan \(Appendix 1, point 3\)](#)

**44.** There have been ongoing discussions between WDIJB and NHSGGC around the funding allocation. The Board has been made aware of these discussions and correspondence has been appended to the reports submitted to the Board, which has provided a transparent approach.

**45.** Currently there are no financial forecasts or savings plans which look beyond the current year. Therefore we conclude that there are no medium to long term financial plans in place. However we do note that this is something which the Chief Financial Officer was aware of at the start of the financial year and is something which the Chief Financial Officer is looking to progress through the Improvement Action Plan.

[Action Plan \(Appendix 1, point 4\)](#)

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

#### Reserves strategy

**46.** WDIJB is permitted to hold reserves under section 106 of the Local Government (Scotland) Act 1973. The integration scheme and the reserves policy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that underspends in an element of the operational budget arising from specific management action may be retained by the IJB to either fund additional in year capacity, or be carried forward to fund capacity in future years of the Strategic Plan. Alternatively, these can be returned to the partner bodies in the event of a windfall saving.

**47.** WDIJB was able to demonstrate that due to their specific management action, they secured additional turnover in mental health and learning disabilities in early response to implementing the 2016/17 approved savings. The finance reports highlighting this were written in consultation with host bodies.

**48.** Where there is a forecast overspend the partner bodies must agree a recovery plan to balance the budget

**49.** Reserves are an integral part of the medium and longer term financial plan of the IJB and its financial sustainability. A reserves policy was approved by the Audit Committee in January 2016. Reserves will be held by the IJB as both a contingency to mitigate the impact of unanticipated overspends and also to meet specific future commitments.

**50.** When determining the level of reserves to be held by the IJB, consideration was given to the strategic, operational and financial risks facing WDIJB in the medium term and the Board's overall approach to risk management. Based on the size and scale of the IJB, the Board has set a target level of general reserves at 2% of net expenditure. This is reviewed annually as part of the budget process and reported to the Board on 1 March 2017 and has remained at this level for 2017. Currently, 2% would equate to £2.83 million and therefore the unearmarked position within the accounts is within these parameters.

## **Efficiency savings**

**51.** The IJB is required to make efficiency savings to maintain financial balance. In 2016/17 the IJB was expected to make efficiency savings of £2.424 million. The actual outturn position was £1.515 million. NHSGGC agreed to cover the shortfall of £0.909 million on a non-recurring basis.

**52.** For 207/18, savings required to be made from the Council are £2 million savings and this was fully met from the unallocated portion of the 2016/17 Social Care Fund recurring allocation.

**53.** For Health given the difficulties agreeing an opening budget allocation it was reported to the Board that WDIJB would cover the 1% pay award, apprentice levy and pensions recharge by imposing a 2% turnover target.

**54.** It is early to say whether that will be fully achieved but the August report did not highlight any concern at this stage.

## **Workforce planning**

**55.** WDIJB relies on the workforce plans of the host bodies as IJB staff is employed by either WDC or NHSGGC. The IJB's Annual Performance Report, which was approved by the Board in August 2017, acknowledges the importance of workforce planning in WDIJB. This is reflected through integrated assessment process, shared planning arrangements, joint delivery of services and information sharing across community planning partners.

# Part 4

## Governance and transparency



### Main judgements

**WDIJB has effective governance arrangements in place that support the decisions by the Board.**

**There is currently no formal sharing protocol between the IJB and NHSGGC for the provision of Internal Audit Reviews.**

**The Board conducts their meetings in public and reports and minutes are available on their website.**

### Governance arrangements

**56.** The Board is responsible for the strategic planning, management and delivery of the health and social care services delegated to it in line with the Integration Scheme between its host bodies.

**57.** WDIJB has been fully operational since 1 July 2015. The Board has 22 members and is comprised of six voting members; equally split from both its partners. Non-voting members include a number of professional members and stakeholder representatives.

**58.** WDIJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The Strategic Plan 2016-2019 and locality planning arrangements enable partners to engage in and support the delivery of the health and social care provision.

**59.** As stated on page five, we completed an interim audit of WDIJB's governance arrangements. We concluded that good progress has been made in establishing governance arrangements and its governance framework. Going forward WDIJB should continue to regularly review their arrangements to ensure arrangements are effective.

**60.** There was a requirement for the IJB to publicly report on their compliance against their Local Governance Code in 2016/17. While the Local Code has been completed, the review against this was not and therefore was not publicly reported. We note that WDIJB was aware of this requirement and has included this as an action for 2017/18 within their Annual Governance Statement. We also note that the review will be reported to the September Audit Committee.

#### Action Plan (Appendix 1, point 5)

**61.** Based on the work we have undertaken and knowledge of the WDIJB, we are satisfied that the governance arrangements in place at the IJB are sound and support governance and accountability.

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.

## **Internal audit**

**62.** Internal audit provides the IJB Board and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes. The IJB's internal audit function is carried out by the internal audit department of West Dunbartonshire Council. During our planning stage, we carried out a review of the adequacy of the internal audit function and concluded that it operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

**63.** To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work of WDIJB. However, we considered the work of internal audit to inform our wider dimension work. We reviewed internal audit's findings in relation to WDIJB's governance, performance and financial management arrangements. There were no issues identified by internal audit that would have an impact on our audit of the IJB's annual accounts.

**64.** The IJB's Chief Internal Auditor concluded in the 2016/17 internal audit annual report that reasonable assurance can be placed on the adequacy and effectiveness of WDIJB's systems of governance, risk and internal control. This conclusion was based on the Chief Internal Auditor's audit work carried out at WDC that related to the IJB. The internal auditor at NHSGGC, PricewaterhouseCoopers (PwC), concluded in the 2016/17 internal audit annual report that NHSGGC's systems of governance, risk management and control were generally satisfactory.

**65.** In 2015/16 we reported that there was no mechanism in place for PwC to consult with the Audit Committee of the IJB regarding the audit work they planned to carry out relating to the IJB, nor was there a protocol for PwC reports to be presented to the Audit Committee.

**66.** In late 2016 PwC agreed that only the annual audit plans and annual audit reports that they issue to NHSGGC would be shared with the IJB's Chief Internal Auditor and that they would not attend meetings of the IJB's Audit Committee. In order for Board members to properly discharge their governance responsibilities, the Audit Committee needs to receive copies of all relevant reports affecting the IJB from the internal auditors at NHSGGC.

### Action Plan (Appendix 1, point 6)

## **Risk management**

**67.** Risk management arrangements were initially drafted in May 2015 and subsequently revised and approved by the Board in November 2015. There is a commitment by WDIJB to review these annually and submit to the Board for approval. The most recent version was approved by the Board at their meeting on November 2016.

**68.** Based on our review of the evidence we concluded that the IJB has appropriate risk management arrangements which are subject to regular review by the board.

## **Transparency**

**69.** Transparency means that the public, and in particular, local residents, have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

**70.** There is evidence from a number of sources which demonstrate the IJB's commitment to transparency. For instance, full details of the meetings held by WDIJB are available on their website. The committee papers and minutes of

meetings are also publically available and members of the public are permitted to attend and observe board meetings. Public notice of each meeting is given on the WDIJB website. Audit Committee meetings are also open to members of the public.

**71.** Overall, we concluded that the IJB conducts its business in an open and transparent manner.

## **Complaints handling**

**72.** The Scottish Public Services Ombudsman (SPSO) issued guidance and a template to help IJBs develop an appropriate complaints handling procedure. The IJB's social work complaints handling policy and procedures, based on SPSO guidance, were approved by the Board at a meeting on 1 March 2017.

## **Standards of conduct and arrangements for the prevention and detection of bribery and corruption**

**73.** The Board requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies. In August 2016 the Board agreed to adopt the template Code of Conduct for Integration Joint Boards which had been produced by the Scottish Government.

**74.** Based on our review of the evidence we concluded that the IJB has effective arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

# Part 5

## Value for money



### Main judgements

**The annual performance report did not meet the statutory deadline of 31 July 2017**

**The IJB should continue to develop systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on its arrangements to promote continuous improvement and value for money in service provision.**

#### Best Value

**75.** Local government bodies, including IJBs, have a statutory duty to make arrangements to secure Best Value, through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government Guidance issued in 2004.

**76.** The audit findings included throughout this report, comment on arrangements that have been put in place by the Joint Board to secure Best Value in areas such as the financial position, financial management, governance and performance management arrangements. While there is evidence of elements of Best Value being demonstrated by the joint board, there is no mechanism for formal review. The Joint Board should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on its arrangements to promote continuous improvement and value for money in service provision.

Value for money is concerned with using resources effectively and continually improving services.

[Action Plan \(Appendix 1, point 7\).](#)

#### Performance management

**77.** In order to achieve value for money WDIJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**78.** The Strategic Plan identifies three strategic commissioning priorities that are linked to the Scottish Government's nine health and wellbeing outcomes, together with the six additional outcomes for children and community justice. These are:

- Supporting Children & Young People
- Supporting Adults & Older People
- Supporting Safe, Strong & Involved Communities

**79.** These commissioning priorities are then further broken down into eleven strategic priorities, which can be found detailed within the Strategic Plan.

**80.** The Board receives performance reports on a quarterly basis to update on progress against the proposed targets and measures, with narrative to describe progress and actions for improvement.

**81.** The measures and targets demonstrate the IJB's progress against the three strategic priorities set out in the Strategic Plan and take account of national core indicators for integration, local delivery targets and relevant Single Outcome Agreement (SOA) targets.

**82.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end (31 July 2017). The performance report did not meet this deadline; it was submitted to the Board meeting on 23 August 2017. However we note that the draft report was available within Committee Reports one week after the deadline and that the Scottish Government had been made aware of this. In addition, 2016/17 was the first required publication of the Annual Performance Report; however WDIJB issued a report in 2015/16 which covered most of the areas required by the guidelines.

#### Action Plan (Appendix 1, point 9)

**83.** Of the 43 key performance indicators reported, for the end of 2016/17, 23 performance indicators were demonstrating positive performance against target, 10 were showing as narrowly missing the target, 8 performance indicators had been missed (i.e. target missed by 15% or over) and 1 had no current data available.

### National performance audit reports

**84.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland.

**85.** In December 2015, we published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home. We also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning. The scale of the change is significant and will not happen quickly. Therefore, we will carry out a second audit in 2018, now integration authorities are more established, to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for impact on the lives of local people.

**86.** During 2016/17, we published a number of reports which are of direct interest to WDIJB. These are outlined in [Appendix 3](#) accompanying this report. WDIJB has satisfactory arrangements in place for considering and reviewing national reports including any locally agreed actions, as evidenced by the updates taken to the Audit Committee in respect of Audit Scotland's Social Work in Scotland 2016 and NHS in Scotland 2016 reports.

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

Page	Issue/risk no.	Recommendation	Agreed management action/timing
11	<b>1. Hospital Acute Services (Set Aside)</b>	<p>NHSGGC and WDIJB should establish processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p> <p><b>Risk</b></p> <p>In future years the sum set aside recorded in the annual accounts will not reflect actual hospital use.</p>	<p>A working group has been formed with NHSGGC finance colleagues, CFOs and the Scottish Government to establish processes for planning, quantifying and performance management of delegated hospital functions and associated resources in 2017/18.</p> <p>Chief Financial Officer</p>
13	<b>2. Budget Monitoring</b>	<p>There were differences in the figures reported to the Board in May and the surplus in the draft accounts reported to the Audit Committee in June.</p> <p><b>Risk</b></p> <p>Budget reports may not provide sufficient information to enable members to review performance and make the necessary decisions.</p>	<p>A report which reconciles any movements from the final outturn report to the accounts should be provided to the Board and Audit Committee.</p> <p>Chief Financial Officer</p>

	Page no.	Issue/risk	Recommendation	Agreed management action/timing
15	<p><b>3. 2017/18 Budget</b></p> <p>The budget for 2017/18 was not approved till 23 August 2017, which means that the Board was operating without a fully approved budget for almost six months of the financial year.</p> <p><b>Risk</b></p> <p>Operating without a fully approved budget makes financial management and decision making more difficult and may negatively affect the quality of service delivery.</p>	<p>The Board should continue to ensure that budgets for future years are approved as a matter of urgency.</p>	<p>2017/18 Budget has been approved at the August 2017 Board Meeting. We will continue to ensure future budgets are agreed as a matter of priority.</p> <p>Chief Financial Officer</p> <p>June 2018</p>	
15	<p><b>4. Medium to Long term Financial Plans</b></p> <p>There are no medium to long term financial plans in place. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary.</p> <p><b>Risk</b></p> <p>WDIJB is not planning adequately over the medium to long term to manage or respond to significant financial risks. Services may be affected if their sustainability is not planned. I</p>	<p>A long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) should be prepared. Plans should set out scenario plans (best, worst, most likely).</p>	<p>This has been committed through further actions in our Annual Governance Statement and is now also included in our Improvement Action Plan as part of our review of the Local Code of Governance.</p> <p>Chief Financial Officer</p> <p>February 2018</p>	
17	<p><b>5. Local Code Good Governance Arrangements</b></p> <p>The requirement in 2016/17 for the IJB to publicly report on their compliance with their Local Governance Code was not met.</p> <p><b>Risk</b></p> <p>WDIJB did not adopt the requirements of the Delivering Good Governance Framework in 2016/17.</p>	<p>WDIJB should review compliance against their Local Code and publicly report on this for 2017/18.</p>	<p>This has been included as part of the agenda for the September Audit Committee for approval from the Board. Going forward the annual review will form part of our draft annual accounts timetable.</p> <p>Chief Financial Officer and Senior Management Team</p> <p>September 2017 and to be reported in 2017/18 annual report and accounts</p>	

 Page no.	Issue/risk	 Recommendation	 Agreed management action/timing
18	<p><b>6. Internal Audit</b></p> <p>The internal auditors of NHSGGC do not share copies of individual internal audit reports with the IJB or attend meetings of the IJB's Audit Committee.</p> <p><b>Risk</b></p> <p>Officers and Board members may be unable properly discharge their scrutiny and governance responsibilities.</p>	<p>The WDIJB should develop a protocol with the auditors to facilitate for all internal audit reports that affect the IJB are made available to its Audit Committee.</p>	<p>Discussions have commenced with the NSGGC Assistant Director of Finance. We will work to develop an agreement, if possible within the existing terms of contract between HNSGGC and PwC.</p> <p>Chief Internal Auditor and Chief Financial Officer</p> <p>June 2018</p>
20	<p><b>7. Value for Money</b></p> <p>While there is evidence of elements of Best Value being demonstrated by the joint board, there is no mechanism for formal review.</p> <p><b>Risk</b></p> <p>Opportunities for continuous improvement are missed.</p>	<p>The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework</p>	<p>Work on developing links with Annual Performance Report data to demonstrate that in a climate of financial austerity targets are on track.</p> <p>Head of Strategy, Planning and Health Improvement and Chief Financial Officer.</p> <p>July 2018</p>
21	<p><b>8. Annual Performance Report</b></p> <p>The 2014 Regulations require that an Annual Performance Report be approved and submitted within four months of the financial year end this was not achieved for 2016/17 with the report being submitted on 23 August</p> <p><b>Risk</b></p> <p>Non compliance with statutory regulations which is required to be reported by auditors. In addition, late submission delays the ability of Board members to review performance and progress improvement actions.</p>	<p>The WDIJB should ensure the Annual Performance Report is approved and submitted within the deadline.</p>	<p>To seek approval from the Board to publish a draft of the Annual Performance Report by 31 July subject to Board approval at the next available meeting.</p> <p>Head of Strategy, Planning and Health Improvement</p> <p>July 2018</p>

# Appendix 2

## Significant risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<b>1 Risk of management override of controls</b>  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 consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries.  Review of accounting estimates.  Focused testing of accruals and prepayments.  Evaluation of significant transactions that are outside the normal course of business.	Satisfactory written assurances were received from the external auditors of the council and health board regarding journal testing and accuracy, allocation and cut-off of Joint Board transactions.
<b>2 Financial statements preparation</b>  The 2016/17 financial statements will require income, expenditure and year end balances to be agreed with West Dunbartonshire Council and NHS Greater Glasgow and Clyde. There is a risk that the procedures for agreeing the year end balances are not fully embedded and that the financial statements are not delivered to the agreed timescale and in the required format.	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 auditors of West Dunbartonshire Council and NHS Greater Glasgow and Clyde over the completeness, accuracy and allocation of the income and expenditure.	The required information was disclosed within the accounts and the financial statements were prepared in accordance with the Code.  The timetable for reporting of inter partner balances was met.
<b>3 Risk of fraud over expenditure</b>  The expenditure of the IJB is processed through the financial systems of West Dunbartonshire Council and NHS Greater Glasgow and Clyde. There is a risk that non	Gaining assurances from the auditors of the council and health board over the accuracy, completeness and appropriate allocation of the IJB ledger entries.  Carry out audit testing to confirm the accuracy and	Satisfactory written assurances were received from the external auditors of WDC and NHSGGC regarding accuracy, allocation and cut-off of Joint Board transactions.

Audit risk	Assurance procedure	Results and conclusions
IJB related expenditure is incorrectly coded to IJB accounts.	correct allocation of IJB transactions, and that they are recorded in the correct financial year.	
<b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b>		
<b>4 Financial sustainability</b>  The board will need strong financial management and budgetary control to address the challenges and risks to future finances.	Review ongoing budget monitoring reports to ensure they accurately reflects the position of the partnership.  Obtain evidence of remedial action being taken on areas of overspend	Overall, the board has improved and strengthened its financial management arrangements. The board should continue to address the issues and risks. These areas have been reported in the Action Plan to officers.
<b>5 Chief Officer</b>  The incumbent Chief Operating Officer is due to retire in July 2017. Recruitment for a replacement has commenced however there is a risk that the replacement will not have sufficient time for a comprehensive handover of duties.	We will liaise with the current Chief Operating Officer throughout the recruitment process.	Satisfactory arrangements were put in place, with a crossover period between the incoming and outgoing Chief Operating Officer. This allowed for sufficient time for a comprehensive handover of duties.  No issues identified.

# Appendix 3

## Summary of national performance reports 2016/17



	Month	Report Title	Icon	Description
	Apr			
May		Common Agricultural Policy Futures programme: an update		
Jun		South Ayrshire Council: Best Value audit report		The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities		Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report		Superfast broadband for Scotland: a progress update
				Scotland's colleges 2016
Sept		Social work in Scotland		Scotland's new financial powers
Oct		Angus Council: Best Value audit report		NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils		Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report		East Dunbartonshire Council: Best Value audit report
Jan				
Feb		Scotland's NHS workforce		
Mar		Local government in Scotland: Performance and challenges 2017		i6: a review
				Managing new financial powers: an update

### IJB relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#) – October 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

# West Dunbartonshire IJB

## 2016/17 Annual Audit Report

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