



Final report to the Members of the North Ayrshire IJB and the Controller of Audit on the 2017/18 audit

Contents

01 Our final report

Introduction	3
Our audit explained	7
<i>Financial statements audit</i>	
Significant risks	9
Our audit report	12
Your annual accounts	13
<i>Audit dimensions</i>	
Overview	16
Financial sustainability	17
Financial management	21
Governance and transparency	24
Value for money	26
Sharing Best Practice	28
Specific Risks	29

02 Appendices

Purpose of our report and responsibility statement	32
Audit adjustments	33
Action plan	34
Fraud responsibilities and representations	39
Independence and fees	40
Events and publications	41

Introduction

The key messages in this report

Audit quality is our number one priority. We plan our audit to focus on audit quality and have set the following audit quality objectives for this audit:

- A robust challenge of the key judgements taken in the preparation of the financial statements.
- A strong understanding of your internal control environment.
- A well planned and delivered audit that raises findings early with those charged with governance.

I have pleasure in presenting our final report to the Integration Joint Board (IJB) for the 2017/18 audit. The scope of our audit was set out within our planning report presented to the Performance and Audit Committee in March 2018.

This report summarises our findings and conclusions in relation to:

- The audit of the **financial statements**; and
- Consideration of the **four audit dimensions** that frame the wider scope of public sector audit requirements as illustrated in the following diagram. This includes our consideration of the Board's duty to secure best value.



Introduction (continued)

The key messages in this report – financial statements audit

I would like to draw your attention to the key messages of this paper in relation to the audit of the financial statements:

Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
 - completeness and accuracy of income; and
 - management override of controls.
- A summary of our work on the significant risks is provided in the dashboard on page 9.
- We have identified no audit adjustments from our procedures to date.
- The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the IJB. As highlighted at page 14 we have also found that North Ayrshire IJB accounts are a good example of best practice in line with the Good Practice note for IJBs published by Audit Scotland during the year.
- The auditable parts of the remuneration report have been prepared in accordance with the relevant regulation.
- Based on our audit work, we expect to issue an unmodified audit opinion.

Insights

- We have tested 100% of the journal entries posted through the IJB ledger in the year. No issues were noted from this testing.
- Other insights obtained through our audit work have been collated into an action plan for improvement on pages 34-38.

Introduction (continued)

The key messages in this report – audit dimensions

The following two pages set out the key messages of this paper in relation to the four audit dimensions:

Financial sustainability

In line with the last three years, the IJB has not achieved short term financial balance and continues to face a significant challenge for 2018/19. Added to the deficit of £3.245m carried forward from 2016/17, the IJB has closed 2017/18 with a cumulative deficit position of £5.807m which needs to be recovered in future years. In the medium term, the IJB is faced with an extremely challenging financial position. In developing its first Medium Term Financial Plan (MTFP) in March 2017, the IJB estimated a cumulative funding gap of £30.8 million over the period 2018/19-2019/20 if no changes were made. The IJB is in the process of refreshing its MTFP to determine the current expected gap taking into account changes since this was initially prepared.

It is positive to note that the IJB plans to review its MTFP and has recently appointed a dedicated Chief Finance and Transformation Officer as the Section 95 for the IJB. It is critical that the IJB identify how services can be transformed and recurring savings can be made to ensure that the IJB can be financially sustainable over the long term.

Operationally, the IJB are performing well as a partnership in several areas. However, increased focus must be given to achieving a financially sustainable position. The IJB needs to consider a fully integrated budget to allow effective resource planning. In addition, the set aside budget needs to be fully integrated into the IJB budget process. It is also important that future funding from the NHS is agreed in advance of the start of the financial year to ensure sufficient lead in time to implement any changes required.

2017/18 final outturn position reported an over spend against budget of **£2.562m (1.12%)**. This had been added to the brought forward deficit.

This final position was achieved following additional funding of £0.971m from the NHS and the use of £1.4m of the Challenge Fund to alleviate in year demand pressures.

At 31 March 2018, the IJB held a cumulative deficit position of **£5.807m in reserves**.

This needs to be recovered in future years, which is extremely challenging.

The **2018/19 budget** is projecting a balanced position. This included £11.766m of pressures and £5.070m of savings. £2.557m of Cash Releasing Efficiency Savings have been carried forward from previous years, £925k of which has been identified and £1.632m is yet to be identified.

The IJB recognise that this is a significant financial risk of not achieving a balanced position at a time of increasing demand for services. In addition, the lack of a confirmed funding position from NHS Ayrshire and Arran at the start of the financial year increases this risk. It is critical that increased focus is given to commissioning services within the funding available.

Introduction (continued)

The key messages in this report – audit dimensions (continued)

Financial Management

In view of the projected funding gap and year end overspend for 2017/18, it is critical that the IJB ensure that the assumptions underpinning the MTFP are reflective of demand, taking into account the funding available and risks faced by the IJB. We note that, through the newly appointed Chief Finance and Transformation Officer, plans are in place to improve the financial governance arrangements in 2018/19. Robust control of expenditure and monitoring will be enhanced via a detailed financial framework allowing early detection and corrective action of adverse variances. We will monitor the effectiveness of this over the coming year through review of how the IJB is working towards financial balance and attendance at the Board.

The IJB relies on the financial systems of both the Council and NHS and no material weaknesses have been identified from our work. We have noted, however, that there is a disparity in the quality and level of detail in the financial information available to the IJB for services commissioned from the Council and NHS, with information available from the Council being of notably higher quality. It is important that clear and consistent information is provided to the Board for the partnership as a whole to allow the Board to perform its governance role effectively.

Governance and transparency

We have reviewed the governance arrangements, the level of scrutiny, challenge and transparency of decision making and the quality and timeliness of financial and performance reporting. The current governance and reporting arrangements for the Lead Partnership arrangements are not as clear as for those areas under the direct control of the IJB. We have therefore recommended that these be reviewed to ensure that complete and consistent information is provided to the Board to allow it to fulfil its governance responsibilities effectively. We note that this has been incorporated into the agreed Internal Audit Plan for 2018/19.

We have also recommended that increased training is provided to IJB members to ensure they fully understand their roles and responsibilities and they are provided with sufficient support in areas where they do not have the required level of knowledge.

We have no concerns around the arrangements with internal audit. We have reviewed the reports issued by internal audit and considered the impact of these on our audit approach.

Value for Money

The Board had a performance management framework in place, with performance regularly considered by management and the Performance and Audit Committee. Reporting is clearly linked to strategic priorities, however, improvements could be made to how the IJB shows that spending makes a difference in these areas. We recognise that this is a national issue.

We are satisfied that the performance is appropriately discussed within the Management Commentary in the Annual Accounts and management have introduced plans to address areas where progress has not been satisfactory.

Our audit explained

Area dimensions

In accordance with the 2016 Code of Audit Practice, we have considered how you are addressing the four audit dimensions:

- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

Significant risks

Our risk assessment process is a continuous cycle throughout the year. Page 9 provides a summary of our risk assessment of your significant risks.

Quality and Independence

We confirm we are independent of North Ayrshire IJB. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.

Final audit report

In this report we have concluded on the audit risks identified in our planning report and any other key findings from the audit.

Key developments in your business

As noted in our planning report, the IJB continues to face significant financial challenges due to an increase in costs whilst facing increased demand for services.

Materiality

The materiality of £3.649m and performance materiality of £2.736m has been based on the benchmark of gross expenditure.

We have used these as the basis for our scoping exercise and initial risk assessment. We have reported to you all uncorrected misstatements greater than £0.182m.

Scope of the audit

We will audit the financial statements for the year ended 31 March 2018 of North Ayrshire IJB.

Timeline 2017/18

November 2017 – February 2018
Meetings with management and other staff to update understanding of the processes and controls.

8 March 2018
Presented planning paper to the Performance & Audit Committee

March 2018
Year end

June – August 2018
Review of draft accounts, testing of significant risks and performance of substantive testing of results.

13 September 2018
Audited accounts signed and final audit report presented at the Board meeting.

Financial statements audit



Significant risks

Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness and accuracy of income			D+I	Satisfactory		Satisfactory	10
Management override of controls			D+I	Satisfactory		Satisfactory	11

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

D+I: Testing of the design and implementation of key controls

Significant risks (continued)

Risk 1 – Completeness and accuracy of income

Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in income recognition, evaluate which types of income, income transactions or assertions give rise to such risks.

The main components of income for the IJB are contributions from its funding partners, namely North Ayrshire Council and NHS Ayrshire & Arran. The significant risk is pinpointed to the recognition of this income, being completeness and accuracy of contributions received from the Council and the Health Board.



Key judgements and our challenge of them

Funding available from the funding partners is primarily driven by the approved delegated budgets from each partner, however actual income can vary to budget. Additional income of £0.971m was received from NHS Ayrshire & Arran in the year to fund overspend on NHS commissioned services. The deficit carried forward by the IJB is due to a £3.245m overspend incurred on Council commissioned services in 2016/17 and a £2.562m overspend in 2017/18. We have reconciled actual income to budgeted income from each funding partner and tested any reconciling items.

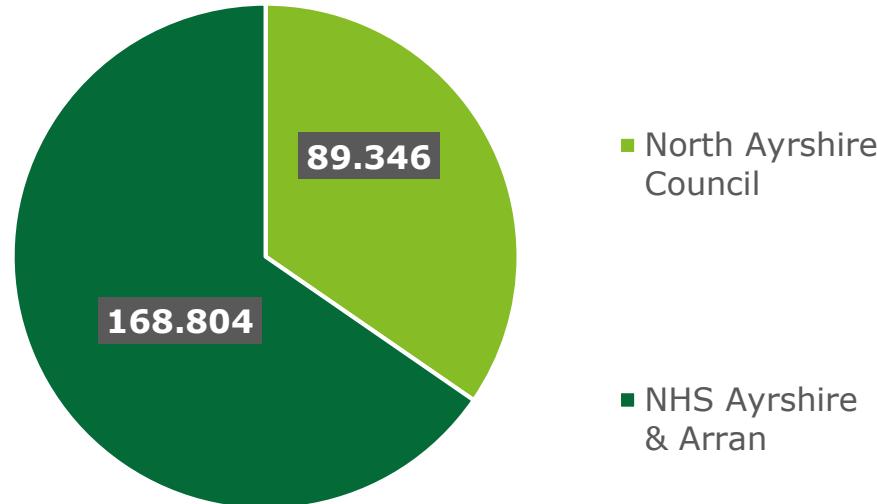


Deloitte response

We have performed the following:

- tested the income to ensure that the correct contributions have been input and received in accordance with that agreed as part of budget process and that any additions/reductions have been appropriately applied;
- tested the reconciliations performed by the IJB at 31 March 2018 to confirm all income is correctly recorded in the ledger;
- confirmed that the reconciliations performed during 2017/18 have been reviewed on a regular basis; and
- assessed management's controls around recognition of income.

2017/18 Funding (£m)



■ North Ayrshire Council

■ NHS Ayrshire & Arran

Deloitte view

We have concluded that income has been correctly recognised in accordance with the requirements of the Local Authority Code of Audit Practice.

Significant risks (continued)

Risk 2 - Management override of controls



Risk identified

In accordance with ISA 240 management override is a significant risk. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override the Board's controls for specific transactions.

The key judgements in the financial statements are those which we have selected to be the significant audit risks around recognition of income. This is inherently the areas in which management has the potential to use their judgement to influence the financial statements.

Deloitte view

We have not identified any significant bias in the key judgements made by management.

The control environment is appropriate for the size and complexity of the Board.

Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that:

- the IJB projected to overspend against budget, although this was closely monitored by the Board throughout the year and the Board was open and transparent with its funding partners regarding potential overspend, albeit the corrective action was not delivered; and
- senior management's remuneration is not tied to particular financial results.

We have considered these factors and other potential sensitivities in evaluating the judgements made in the preparation of the financial statements.

Significant transactions

We did not identify any significant transactions outside the normal course of business or any transactions where the business rationale was not clear.

Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.

We performed design and implementation testing of the controls in place for journal approval. We have tested 100% of the journal entries processed through the IJB ledger during the year with no issues noted.

Accounting estimates

In addition to our work on key accounting estimates discussed above, our retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements has been completed with no issues noted.

Our audit report

Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report. The revisions to ISA (UK) 700 have changed the form and content of the audit report, including how different sections are presented.



Our opinion on the financial statements

Our opinion on the financial statements is unmodified.



Material uncertainty related to going concern

We have not identified a material uncertainty related to going concern and will report by exception regarding the appropriateness of the use of the going concern basis of accounting.

While the IJB has ended the year with a cumulative deficit position, the Code of Practice on Local Authority Accounting requires authorities to prepare its financial statements on a going concern basis unless there is an intention by government that the services provided by the authority will no longer be provided.



Emphasis of matter and other matter paragraphs

There are no matters we judge to be of fundamental importance in the financial statements that we consider it necessary to draw attention to in an emphasis of matter paragraph.

There are no matters relevant to users' understanding of the audit that we consider necessary to communicate in an other matter paragraph.



Other reporting responsibilities

The Annual Report is reviewed in its entirety for material consistency with the financial statements and the audit work performance and to ensure that they are fair, balanced and reasonable.

Our opinion on matters prescribed by the Controller of Audit are discussed further on page 13.

Your annual accounts

We welcome this opportunity to set out for the Board our observations on the annual accounts. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the Management Commentary has been prepared in accordance with the statutory guidance.

	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The IJB also focuses on the strategic planning context.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance and have included recommendations for clear presentation in the good practice guide in the next page.</p> <p>We have also read the Management Commentary and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.</p> <p>The good practice note published by Audit Scotland was provided to the IJB for consideration in preparation of the annual accounts. We found from our reviews that the IJB accounts have been prepared in line with the guidance offered per the good practice note, and as a result these accounts are a good example of best practice.</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of the Chief Officer.	We have audited the disclosures of remuneration and pension benefit and pay bands and confirmed that they have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that the IJB's governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the regulations. No exceptions noted.

Your annual report (continued)

Audit Scotland has issued a series of Good Practice notes to highlight where annual reports can be improved. A Good Practice note covering IJB's was published in April 2018 from a review of the 2016/17 annual accounts of IJBs and all IJBs were encouraged to use the findings to assess and enhance their own disclosures to ensure they provide high quality information to stakeholders in their annual accounts,

We have provided below some extracts which should be considered by the Board in drafting future annual reports. It should be noted that the findings we have identified for the North Ayrshire IJB accounts were limited as the Good Practice Note has clearly been considered when drafting the accounts. As a result, the IJB's accounts are a good example of best practice in action.

Management commentary

The following areas for improvement were identified when reviewing the Board's annual report and have subsequently been updated for:

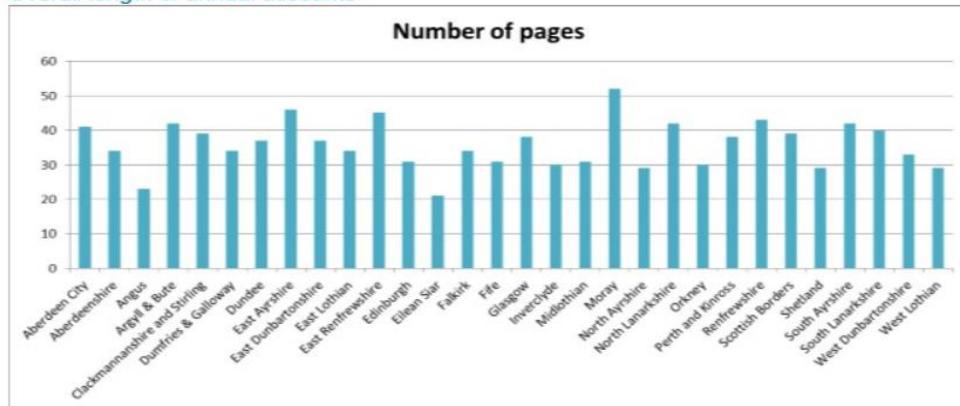
- Additional narrative should be added to give clarity and context with regards to performance indicators where the IJB's performance is 'significantly adrift'; and
- More explicit referencing or signposting with regards to particular areas where readers would likely require additional information e.g. performance indicators, lead partnership agreement.

Governance statement

The following areas for improvement were identified when reviewing the Board's annual report:

- Any actions noted under 'Further Actions' in the prior year accounts should be followed up to clarify what action has been taken during the year in order to address each point.

Overall length of annual accounts



From the analysis of the length of all IJB annual accounts for 2016/17, North Ayrshire's annual accounts were of average length.

The IJB should continue to balance the volume and relevance of information provided, whilst considering best practice points discussed above.

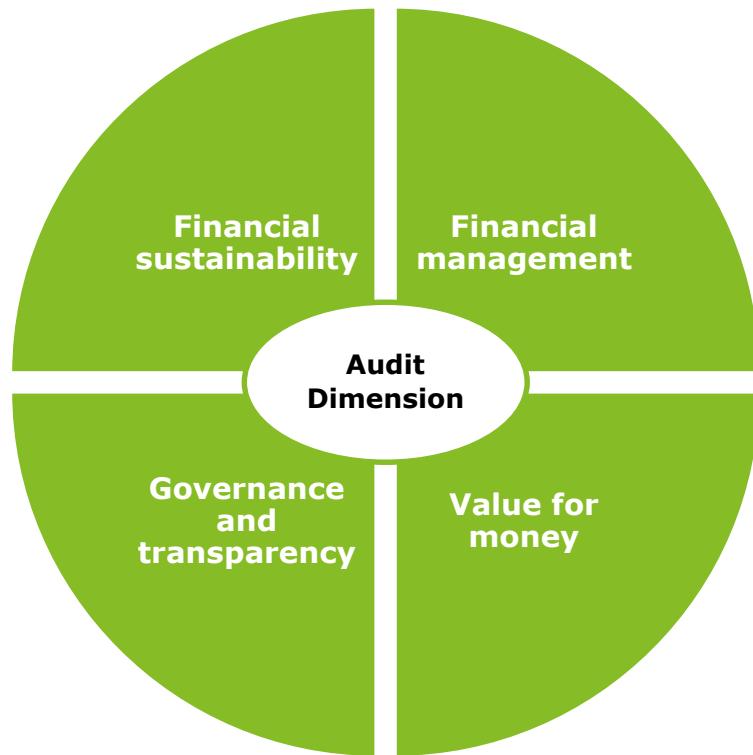
Audit dimensions



Audit dimensions

Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our findings and conclusion on our audit work covering the following area. Our report is structured in accordance with the four audit dimensions, but also covers our specific audit requirements on best value and specific risks as summarised below.



Best Value (BV)

It is the duty of the IJB to secure BV as prescribed in the Local Government (Scotland) Act 1973.

We have considered the Board's duty to secure BV as part of the governance arrangements considered as part of the audit dimensions work.

Specific risks (SR)

As set out in our Annual Audit Plan, Audit Scotland had identified a number of specific risks (SRs) faced by the public sector which we have considered as part of our work on the four audit dimensions.

SR 1 – EU Withdrawal

SR 2 – New Financial Powers

SR 3 – Ending public sector pay cap

SR 4 – Cyber security risk

SR 5 – Openness and transparency

Audit dimensions (continued)

Financial sustainability

Audit dimension

As part of the annual audit of the financial statements, we have considered the appropriateness of the use of the going concern basis of accounting. Going concern is a relatively short-term concept looking forward 12 to 18 months from the end of the financial year. Financial sustainability interprets the requirements and looks forward to the medium (two to five years) and longer term (longer than five years) to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Areas considered



Deloitte response



- The financial planning systems in place across the shorter and longer terms.
- The arrangements to address any identified funding gaps.
- The affordability and effectiveness of funding and investment decisions made.
- Workforce planning.

From our work in 2016/17 we found that the IJB was forecasting considerable annual funding gaps in the short to medium term, with the projected funding gap reaching £39.2m over the period 2017/18-2020/21. Whilst some progress had been made in terms of identifying savings within the Medium Term Financial Plan, and also through the establishment of the Challenge Fund in partnership with the Council, further progress was required in order to achieve sustainable spending in future periods. We have reviewed the progress made by the IJB over the last year within its medium and long term financial plans.

Deloitte view

In line with the last three years, the IJB has not achieved short term financial balance and continues to face a significant challenge for 2018/19. Added to the deficit of £3.245m carried forward from 2016/17, the IJB has closed 2017/18 with a cumulative deficit position of £5.807m which needs to be recovered in future years. In the medium term, the IJB is faced with an extremely challenging financial position. In developing its first Medium Term Financial Plan (MTFP) in March 2017, the IJB estimated a cumulative funding gap of £30.8 million over the period 2018/19-2019/20 if no changes were made. The IJB is in the process of refreshing its MTFP to determine the current expected gap taking into account changes since this was initially prepared.

It is positive to note that the IJB plans to review its MTFP and has recently appointed a dedicated Chief Finance and Transformation Officer as the Section 95 for the IJB. It is critical that the IJB identify how services can be transformed and recurring savings can be made to ensure that the IJB can be financially sustainable over the long term.

Operationally, the IJB are performing well as a partnership in several areas. However, increased focus must be given to achieving a financially sustainable position. The IJB needs to consider a fully integrated budget to allow effective resource planning. In addition, the set aside budget needs to be fully integrated into the IJB budget process. It is also important that future funding from the NHS is agreed in advance of the start of the financial year to ensure sufficient lead in time to implement any changes required.

Audit dimensions (continued)

Financial sustainability (continued)

Short term financial position

For **2017/18**, the IJB approved an initial balanced budget of £227.6m (2016/17: £233.3m). This required savings of £9.8m to be made to deliver a balanced budget. The final position of the IJB was an overspend of £2.562m relating to services commissioned from the Council. This is after additional funding was provided by the NHS (see below) and use of £1.4m of the Challenge Fund to alleviate in year demand pressures. Added to the deficit of £3.245m from 2016/17 results in a deficit carried forward of £5.807m which needs to be recovered in future years.

The Integration Scheme outlines the roles and responsibilities of the partners and the IJB in respect of overspends. In the case of a forecast overspend, a recovery plan should be developed. If it is not successful the partners can consider making interim funds available with the potential repayment in future years.

North Ayrshire Council has confirmed that no additional funding will be made available to fund 2017/18 expenditure on services commissioned from the Council. As such, the IJB will carry forward the overspend as part of the deficit to be repaid to the Council in future periods. NHS Ayrshire and Arran has agreed to provide an additional £971k to offset the overspends in the services commissioned from the NHS.

The Integration Scheme also sets out that whilst Primary Care prescribing budgets are delegated to the IJB, prescribing is managed by NHS Ayrshire and Arran. The NHS has allocated the additional sum of £1.13m to the IJB to bring the Primary Care prescribing budget into balance for 2017/18.

	2017/18 budget (£'000)	2017/18 actual (£'000)	2018/19 draft budget (£'000)
Total expenditure	227,581	232,657	230,991
Total income	(227,581)	(230,095)	(230,991)
Set Aside Budget		28,055	28,055
Set Aside Funding		(28,055)	(28,055)
Total Expenditure		260,712	259,046
Total Income		(258,150)	(259,046)

At present, the IJB budget is still monitored against "NAC" and "NHS A&A" managed budgets, rather than a genuine pooled budget for the IJB as a whole. The IJB needs to consider a fully integrated budget to allow effective resource planning. In addition, the set aside budget is not fully integrated into the IJB budget process. In 2017/18, the North Ayrshire share of the set aside resource was £28.055m, however, due to recurring budget pressures as a consequence of increased activity within institutional settings, no element of the set aside resource has been released to facilitate the movement in the balance of care towards community based services. As is the case across Scotland, the IJB should continue to work to resolve funding issues around shifting the balance of care between institutions and communities.

The IJB recognise that there is a significant financial risk of not achieving a balanced position at a time of increasing demand for services. In addition, the lack of a confirmed funding position from NHS Ayrshire and Arran at the start of the financial year increases this risk. It is critical that the IJB has confirmed funding in advance of the start of the year and has savings plans agreed early to ensure that it has sufficient lead in time to implement any changes required. It is critical that increased focus is given to commissioning services within the funding available.

Audit dimensions (continued)

Financial sustainability (continued)

Short term financial position (continued)

An indicative balanced budget for **2018/19** was reported to the IJB in April 2018, however, was not finalised as NHS Ayrshire and Arran had yet to confirm its delegated budget. A final balanced budget of £259.046m (inclusive of the estimated set aside budget of £28.055m) was approved in August 2018. This assumes that the repayment on the carried forward deficit will not commence until 2019/20.

The balanced budget is net of pressures and savings, as summarised below:

	Cost and Demand Pressures (£'000)	Savings (£'000)
Health and Community Care Services	1,290	1,097
Mental Health Services	1,351	484
Children and Justice Services	2,774	704
System wide and across Services	3,150	1,718
Prescribing	3,201	1,067
Total	11,766	5,070

The balanced budget does not include planning to address the previously carried forward Cash Releasing Efficiency Savings (CRES) target from 2016/17 and 2017/18. The CRES savings not achieved in the prior years total £2.557m and this has been carried forward into 2018/19. To date £925k savings have been identified, therefore the balance of £1.632m poses a significant financial risk. It is critical that the IJB work with the NHS to identify appropriate savings.

Reserves

While the IJB has the powers to hold statutory usable reserves, North Ayrshire Council currently does not hold any. Due to the overspends in the last two years, the IJB has ended the year with a negative reserves position of £5.807m which will need to be recovered in future years.

In recognition of the financial challenges facing health and social care services and the imperative to implement radical change, North Ayrshire Council approved the establishment of a '**Challenge Fund**' of £4m. This is an 'invest to change' programme which is an innovative approach in Scotland and has attracted attention of the Scottish Government.

The Challenge Fund created an opportunity for services, using a change approach, to realise both the required North Ayrshire Council savings and additional savings which could be re-invested in their newly designed service to support future sustainability.

However, during 2017/18, the IJB approved the use of £1.4m of the Challenge Fund to alleviate in year cost pressures. £0.977m was allocated to care home placements and £0.423m to learning disability care packages leaving £2.6m for Challenge Fund projects.

Whilst a number of the projects in phase 1 are on track and delivering the transformation and savings anticipated, a number of them have not happened in the timelines planned or realised the amounts envisaged. This is an area of focus for the IJB during 2018/19 to ensure that phase 1 projects are delivered and phase 2 is developed.



Audit dimensions (continued)

Financial sustainability (continued)

Medium to long term financial sustainability

The IJB recognise that the delivery of services in the same way is neither financially or operationally sustainable. The updated strategic plan, approved for 2018-2021, is underpinned by the need to transform care models to find new solutions as the partnership might not always be the first source of support.

In developing its first Medium Term Financial Plan in March 2017, the IJB estimated a cumulative funding gap of £30.8 million over the period 2018/19-2019/20 if no changes were made. The IJB is in the process of refreshing its MTFP to determine the current expected gap taking into account changes since this was initially prepared.

Given the carried forward deficit position of £5.807m, this is extremely challenging and it is critical that the IJB consider how services are going to look in the future. We understand that the Medium Term Financial Plan is being refreshed and will be a key to supporting the delivery of the strategic plan. This needs to include scenario planning to determine a "worst case" and "best case" scenario based on assumptions on funding and demand for services.

Following the approval of the new Strategic Plan for 2018-2021, the priorities and actions identified in the plan have been reviewed to identify the key transformational change priorities for 2018/19 which were set out in the approved budget reported to the Board in August 2018.

Given the extremely challenging financial position, it is critical that these transformational plans start to shift care from an institutional setting to a community setting within the resources available. Given the level of change required, the Board also needs to consider the supporting infrastructure required to deliver on transformation such as:

- Its change management approach;
- Tools and templates to assess whether intended benefits of change have been achieved; and
- Whether it requires external specialist support for any aspects of its Plan.

Best Practice examples

In our 2016/17 annual report, we provided the Board with some case study data where Deloitte has been involved in cost reduction work with a number of NHS bodies in England. We recommended that the Board reviews these case studies and considers them as opportunities for improvement going forward as potential areas for cost reduction.

From our experience, public sector bodies that have successfully delivered and sustained transformational change have tended to focus on six key requirements, which are discussed further on page 28. The overarching aspect throughout a transformation programme is having strong leadership that believes in, and can drive, transformational change.

We would encourage the IJB to consider best practice from other similar entities to help develop its sustainable plans. We would be happy to share examples from our work across the country.

Audit dimensions (continued)

Financial management

Audit dimension

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

Areas considered



- Budgetary control system.
- Systems of internal control.
- Financial capacity and skills.
- Arrangements for the prevention and detection of fraud.

Deloitte response



We have reviewed the budget and monitoring reporting to the Board during the year to assess whether financial management and budget setting is effective. From our audit work in 2016/17 we concluded that in view of the funding gaps in 2016/17 and 2017/18, the IJB needed to ensure that the assumptions underpinning the MTFP are reflective of demand, taking into account the funding available. We also recommended that the IJB should review the effectiveness of its operational budget management in order to secure the delivery of services within the budget set.

We have also assessed the capacity of the finance team in view of the departure of the Chief Finance Officer in December 2017, the subsequent interim appointment of a Head of Finance for the Council commissioned services of the IJB and the permanent appointment of the Chief Finance and Transformation Officer in July 2018.

Our fraud responsibilities and representations are detailed on pages 39.

The final outturn for 2017-18 was an in-year overspend of £3.533m, compared to the budget. The NHS has agreed to increase funding by £971k to bring their element within budget, resulting in a final overspend of £2.562m.

As discussed further on page 18, this was achieved following additional funding of £1.4m from the Challenge Fund to alleviate in year demand pressures and £1.13m investment from the NHS for additional prescribing costs.

Deloitte view

In view of the projected funding gap and year end overspend for 2017/18, it is critical that the IJB ensure that the assumptions underpinning the MTFP are reflective of demand, taking into account the funding available. We note that, through the newly appointed Chief Finance and Transformation Officer, who is the appointed Section 95 Officer for the IJB, plans are in place to improve the financial governance arrangements in 2018/19. Robust control of expenditure and monitoring will be enhanced via a detailed financial framework allowing early detection and corrective action of adverse variances. We will monitor the effectiveness of this over the coming year through review of how the IJB is working towards financial balance.

The IJB relies on the financial systems of both the Council and NHS and no material weaknesses have been identified from our work. We have noted, however, that there is a disparity in the quality and level of detail in the financial information available to the IJB for services commissioned from the Council and NHS, with information available from the Council being of notably higher quality. It is important that clear and consistent information is provided to the Board for the partnership as a whole to allow the Board to perform its governance role effectively.

Audit dimensions (continued)

Financial management (continued)

Budgetary control systems

As reported in our 2016/17 report, and in view of the year end overspend for 2017/18 and the projected cumulative overspend, it is critical that the IJB ensure that the assumptions underpinning the MTFP are reflective of demand, taking into account the funding available. The IJB should also ensure effective governance and management arrangements are in place to allow delivery of services within the budget set. We note that management plan to improve the financial governance arrangements in 2018/19 to ensure robust control of expenditure and monitoring will be enhanced via a detailed financial framework allowing early detection and corrective action of adverse variances. We will monitor the effectiveness of this over the coming year.

Up to December 2017, the finance team was led by the Chief Finance Officer who also had the role of Head of Finance with North Ayrshire Council. Following the departure of the Head of Finance, the IJB approved the position of a dedicated Chief Finance and Transformation Officer for the partnership (who is the appointed Section 95 Officer), recognising the importance of the role. This post was filled on an interim basis and a permanent appointment has recently been made.

From discussion with a sample of Board members, we note that concerns have been raised around the disparity between the financial information provided to them for Council commissioned services and NHS commissioned services. In particular, we have found that information available to the Board by the Council has been of notably higher quality than that provided by the NHS. It is important that clear and consistent information is available to the Board for the IJB as a whole to allow the Board to perform its governance role effectively.

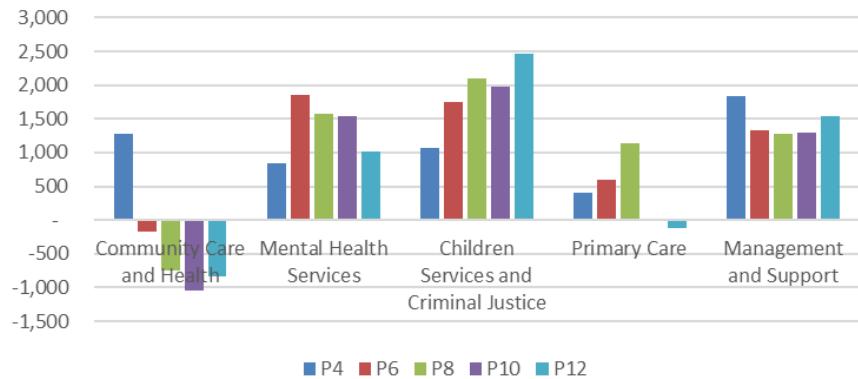
Financial performance

Variances were reported to the IJB throughout the year, with a final report being presented on 21 June 2018. The overall variance is a combination of under and overspends on expenditure. The final position reported a total overspend of £3.533m, however, this was offset by additional funding of £0.971m, resulting in a final overspend

of £2.562m. The expenditure variances can be analysed further as follows:

- **Health and Community Care** – final underspend of £0.829m against budget. Locality Services underspent by £0.398m due to additional income of £0.378m, a planned underspend of £0.2m in equipment agreed as part of mitigating plans, offset by an overspend of £0.3m in care home placements due to additional pressures on respite beds. Community Care Service Delivery also underspent by £0.504m, largely from an underspend of £0.927m due to agreed mitigation to delay the recruitment of posts.
- **Mental Health Services** – final overspend of £1.011m against budget, mainly due to care packages.
- **Children's Services and Criminal Justice** – final overspend of £2.461m. This is largely as a result of an overspend in residential schools and community placements.
- **Management and Support Costs** – final overspend of £1.532m. This mainly relates to NHS savings targets which have still to be agreed.

Projected over/(under) by Service during 2017/18 (£000)



Audit dimensions (continued)

Financial management (continued)

Systems of internal financial control

We have evaluated the IJB's key financial systems and internal control to determine whether they are adequate to prevent misstatements in the annual accounts. The audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

As auditors of both the Council and Health Board, we have also obtained assurance from our work undertaken as part of these audits regarding the systems and internal controls used to produce the transactions and balances recorded in the IJBs financial statements.

No material weaknesses have been identified from our audit work performed.

Fraud and irregularity

We have reviewed the IJBs arrangements for the prevention and detection of fraud and irregularities. Overall we found the arrangements, which are closely linked to the arrangements in place at each partner bodies, to be operating effectively.

Audit dimensions (continued)

Governance and transparency

Audit dimension

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.

Areas considered



- Governance arrangements.
- Performance & Audit Committee.
- Scrutiny, challenge and transparency on decision making and financial and performance reports.
- Quality and timeliness of financial and performance reporting.
- Accountable officers' duty to secure Best Value.

Deloitte response



We have reviewed the financial and performance reporting to the IJB during the year as well as minutes of all IJB and Performance and Audit Committee meetings to assess the effectiveness of the governance arrangements. Our attendance at Performance and Audit Committees has also informed our work in this area.

Deloitte view

We have reviewed the governance arrangements, the level of scrutiny, challenge and transparency of decision making and the quality and timeliness of financial and performance reporting. The current governance and reporting arrangements for the Lead Partnership arrangements is not as clear as for those areas under the direct control of the IJB. We have therefore recommended that these be reviewed to ensure that complete and consistent information is provided to the Board to allow it to fulfil its governance responsibilities effectively.

We have also recommended that increased training is provided to IJB members to ensure they fully understand their roles and responsibilities and they are provided with sufficient support in areas where they don't have the required level of knowledge.

We noted that the June 2018 Performance and Audit Committee was unable to go ahead due to insufficient members of the Committee in attendance to constitute a quorum. It is important the IJB ensures that the Committee has sufficient capacity to allow it to operate effectively.

We have no concerns around the arrangements with internal audit. We have reviewed the reports issued by internal audit and considered the impact of these on our audit approach.

Audit dimensions (continued)

Governance and transparency (continued)

Leadership and vision

Vision: All people who live in North Ayrshire are able to have a safe, healthy and active life.

The IJB updated its Strategic Plan and published the 2018-21 plan in 2017/18. This built on the progress that had been made to date and lays out the key strategic priorities over the next three years. The Plan recognises that integration is still in its infancy and there is much to do in order to create services that will support the people of North Ayrshire.

Decision making is transparent and subject to both scrutiny and challenge. However, the agenda and papers for the Performance and Audit Committee are not publicly available on the IJB's website and only minutes are available. We understand that this is due to a decision at the time of setting up the Committee as a result of the availability of some performance data. We recommend that this is reviewed to establish if some of the papers could be made available online to improve transparency.

The voting membership for the Board comprises four elected members from the NAC and four non-executive directors from the NHS. As a result of the local government elections in May 2017, there have been some changes to the IJB membership in the year. We consider there to be sufficient diversity to provide effective balance and scrutiny in leadership. However, given the recent cancellation of the Performance and Audit Committee due to not being quorate, the IJB needs to ensure that the Committee has sufficient capacity to allow it to operate effectively.

From meeting with a sample of members, we noted some concern that members who have no previous healthcare or council experience may find the reports difficult to understand. In addition, we noted from discussion a general lack of understanding from some IJB members of their roles and responsibilities. We have therefore recommended that appropriate training be provided for members.

From these meetings, concern was also expressed about the governance and reporting arrangements for those areas that were being led by one of the other Ayrshire IJBs or NHS Ayrshire and Arran as part of the Leadership arrangement. We noted that the level of detail provided to the Board is not equivalent to the areas under their direct control. We therefore recommend that the reporting arrangements are reviewed to ensure that complete and consistent information is provided to Board members to allow them to fulfil their governance responsibilities effectively.

Internal Audit

North Ayrshire Council's Chief Internal Auditor provides the Internal Audit function for North Ayrshire IJB. Internal Audit concluded that reasonable assurance can be placed upon the adequacy and effectiveness of the framework of governance, risk management and control in the year to 31 March 2018. The objectives of internal control have been substantially met.

We have performed a review of the Internal Audit Annual Report 2017/18 in order to inform our work. However, in line with Deloitte's established arrangements, we have not placed any specific reliance on the work performed by internal audit.

On the basis of the audit work undertaken during the year, the Chief Internal Auditor is able to conclude that reasonable assurance can be placed upon the IJB's overall adequacy and effectiveness of the organisation's framework of governance, risk management and control in the year to 31 March 2018.

Audit dimensions (continued)

Value for money

Audit dimension

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



Areas considered

- Value for money in the use of resources.
- Link between money spent and outputs and the outcomes delivered.
- Improvement of outcomes.
- Focus on and pace of improvement.

Deloitte response



From our 2016/17 audit work we concluded that the performance management framework put in place by the IJB was integral to delivery of quality and effective management, governance and accountability.

During 2017/18 we have reviewed how the IJB is addressing areas where targets are not being met, and also how the implementation of strategic change is impacting on how the IJB's performance is measured and reported.

Deloitte view

The Board had a performance management framework in place, with performance regularly considered by management, and the Board. Reporting is clearly linked to strategic priorities, however, improvements could be made to how the IJB shows that spending makes a difference in these areas.

We are satisfied that the performance is appropriately discussed within the Management Commentary in the Annual Accounts and management have introduced plans to address areas where progress has not been satisfactory.

Audit dimensions (continued)

Value for money (continued)

Performance Management

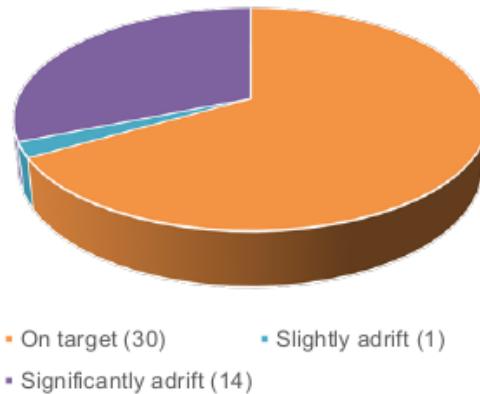
The IJB has embedded a performance management culture throughout the Partnership. It has created a wider range of performance information to manage services and target improvements for the people of North Ayrshire. This is supported by its performance management systems which analyse data, track progress and identify actions.

Regular performance information is provided to the Performance and Audit Committee, IJB members, operational managers and is publicly reported. Benchmarking is used to compare performance with other organisations to support change and improvement.

Reporting is clearly linked to strategic priorities, however, improvements could be made to how the IJB shows that spending makes a difference in these areas. We recognise that this is a national issue.

The Annual Performance Report will be published in August 2018. The following summary is included in the Annual Report and Accounts based on the latest Joint Review Report (October 2017-March 2018) showing the progress of the 45 measurable performance indicators:

Progress of 45 performance indicators

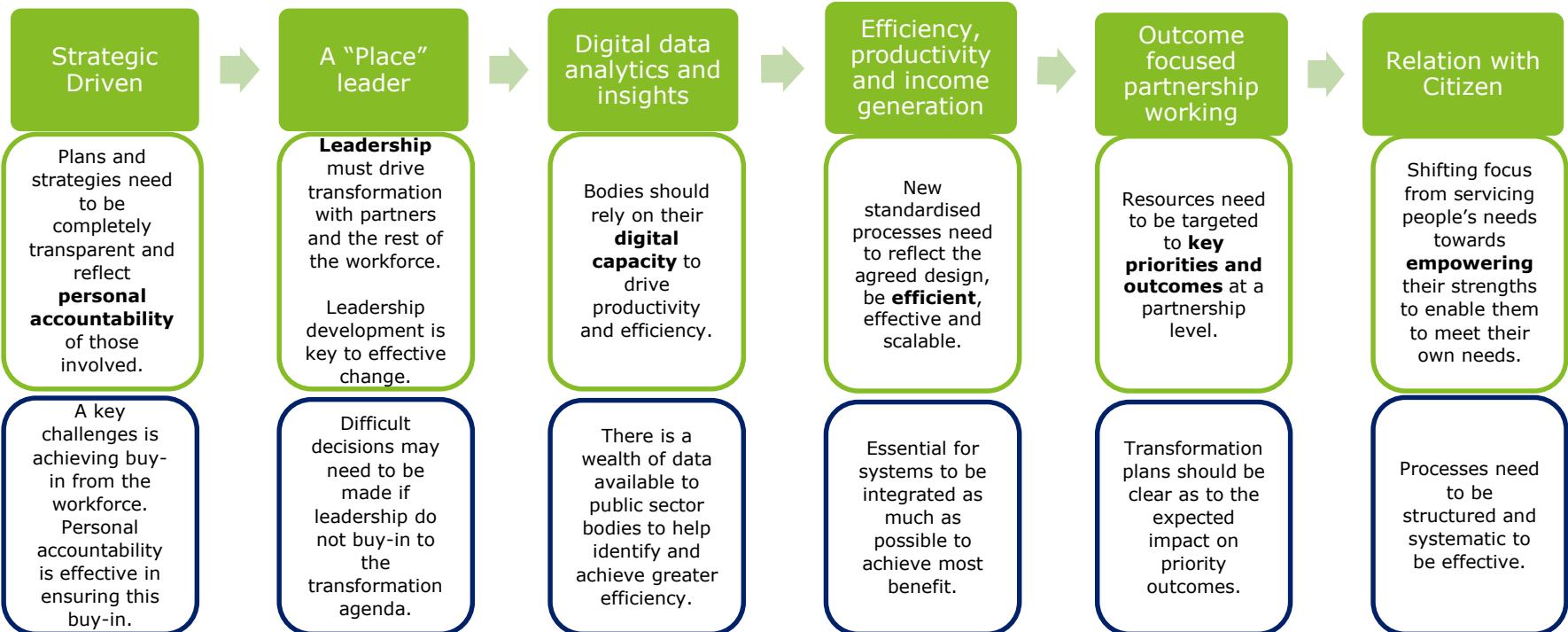


Audit dimensions (continued)

Sharing best practice

In our 2016/17 annual report, we provided the Board with some case study data where Deloitte has been involved in cost reduction work with a number of NHS bodies in England. We recommended that the Board reviews these case studies and considers them as opportunities for improvement going forward as potential areas for cost reduction.

From our experience, public sector bodies that have successfully delivered and sustained transformational change have tended to focus on the following six key requirements. The overarching aspect throughout a transformation programme is having strong leadership that believes in and can drive transformational change.



Audit dimensions (continued)

Specific risks

In accordance with our Audit Plan, we have considered the specific risks identified by Audit Scotland as part of our audit as follows:

Risk identified	Response
EU Withdrawal	<p>The UK is expected to leave the European Union (EU) on 29 March 2019, followed by a transition period to the end of 2020. There are still a lot of uncertainties surrounding the terms of the withdrawal agreement but the outcome will inevitably have significant implications for devolved governments in Scotland and for Scottish public sector bodies.</p> <p>Given the scale of the potential implications and possible timescales for implementing changes, it is critical that public sector bodies are working to understand, assess and prepare for the impact on their organisation. This is likely to include consideration of three areas:</p> <p>Workforce: the extent to which potential changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.</p> <p>Funding: the extent to which potential changes to funding flows including amounts anticipated under existing EU funding programmes, are likely to affect the finances of the organisation and the activity that such funding supports.</p> <p>Regulation: the extent to which potential changes to regulation across a broad range of areas currently overseen at an EU level are likely to affect the activity of the organisation.</p> <p>The uncertainty around the EU withdrawal has been recognised in the IJBs MTFP and is also being considered by the Council and NHS. NHS Ayrshire & Arran is taking part in a national exercise with the Scottish Government's health workforce directorate to assess the potential impact on the workforce. The Council is much less reliant on EU nationals, but the services commissioned from external providers could be impacted. It should continue to monitor any potential impact as the details develop.</p> <p>Funding and regulation of the IJB is devolved to the Scottish Government and EU withdrawal is not expected to have major impacts in these areas.</p>
New financial powers	<p>The Scottish Parliament's new financial and social security powers and responsibilities from the 2012 and 2016 Scotland Acts are fundamentally changing the Scottish public finances. The Scottish Government will publish its medium-term financial strategy in 2018 in response to recommendations in the Budget Process Review Group final report, and has made a number of other commitments to improve financial management and help Parliamentary scrutiny of decisions.</p> <p>As a result of this, there is an expectation that public bodies will be seen before subject committees of the Parliament more often. The IJB should therefore use this as an opportunity to make comment within their annual reports beyond the compliance requirements to clearly articulate their achievements against outcomes and future plans.</p>

Audit dimensions (continued)

Specific risks (continued)

Risk identified	Response
Ending public sector pay cap	<p>The 2018/19 budget includes pay awards which have been aligned to the thresholds set out by the Cabinet Secretary in the Stage 1 debate on 31 January 2018.</p> <p>It has been agreed by Scottish Government that any additional costs of the pay increase in excess of 1% will be met by central funding for the NHS, whilst there is no confirmation that the Scottish Government will meet the additional cost for the Council.</p>
Cyber security risk	<p>The IJB do not have a specific cyber security policy in place as they use the ITC strategy of both the NHS Ayrshire & Arran and North Ayrshire Council.</p> <p>Both the NHS and Council have passed the Scottish Government's Cyber Essentials Pre-assessment which contained some remedial actions which are common across all boards. The approach to cyber security for both NHS Ayrshire & Arran and North Ayrshire Council has been assessed as part of their respective audits – we have found that both bodies have capable and qualified digital security functions in place to combat security threats.</p>
Openness and transparency	<p>From our audit work, we are satisfied that the IJB is appropriately open and transparent in its operations and decision making.</p> <p>The IJB follow the council's guidance and very little is held back. All meetings are public, and therefore minutes and agendas are available online. We have recommended that the IJB consider making the Performance and Audit Committee papers available on line to increase transparency. As discussed further on page 24, there is, however, scope for improvements in the level of detail reported in relation to areas where the IJB is not the Lead Partner and the consistency of information for both NHS and Council commissioned services should be reviewed.</p>

Appendices



Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK and Ireland) to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Annual Report.
- Our internal control observations
- Other insights we have identified from our audit

What we don't report

As you will be aware, our audit was not designed to identify all matters that may be relevant to the IJB.

Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.

Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

The scope of our work

Our observations are developed in the context of our audit of the financial statements.

This report has been prepared for the Board, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose.

We welcome the opportunity to discuss our report with you and receive your feedback.



Pat Kenny, CPFA

for and on behalf of Deloitte LLP
Glasgow

4 September 2018

Audit adjustments

Corrected misstatements

- No corrected misstatements have been identified from our audit work performed.

Uncorrected misstatements

- No uncorrected misstatements have been identified from our audit work performed.

Disclosure misstatements

- Auditing standards require us to highlight significant disclosure misstatements to enable the Board to evaluate the impact of those matters on the financial statements. We have noted no material disclosure deficiencies in the course of our audit work.

A verbal update will be provided to the Board if anything arises from any outstanding work before the financial statements are signed.

Action plan

Follow up of 2016/17 recommendations

Area	Recommendation	Management response	Responsible person	Target date	Priority	2017/18 update
Budgeting Process	The Board should ensure that when the Medium Term Financial Plan is updated, that the assumptions which underpin the budget are reflective of demand, taking into account the funding available to deliver services.	The Medium Term Financial Plan is being updated to cover 2018-19 to 2020/21. All assumptions will be reviewed as part of this refresh.	Chief Financial Officer	31 March 2018	High	<p>As part of 2017/18 recommendations (see page 35) we have recommended the following in relation to the Medium Term Financial Plan:-</p> <ul style="list-style-type: none"> • Scenario planning should be performed to assess the funding gap when key assumptions are adjusted. • Further savings plans are identified in order to reduce the projected funding gap. <p><i>Not implemented.</i></p>
Financial Management	The Board should assess the effectiveness of operational budget management to secure delivery of services within the budget which has been set.	A review of operational budget management will be undertaken focused on high risk areas and the outcome will be reported to the Performance & Audit Committee.	Chief Financial Officer	31 March 2018	High	<p>The HSCP carried out an internal review of budget management arrangements and the outcome of this was reported to the PAC. From this recommendations and actions were identified including additional support and training, guidance, communication and delegation and approval. Actions have been taken forward to reinforce operational budget management arrangements.</p> <p><i>Implemented however see additional financial management recommendation on page 35.</i></p>

Action plan (continued)

Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Financial Management	The Board should ensure effective governance and management arrangements are in place to ensure services can be delivered from within the available budget (see page 22).	Delivery of the transformational change and service re-design programme is key to delivering financial balance and also future sustainability. Arrangements are being reviewed in relation to governance, monitoring, investment and project management support to align all these to support delivery.	Chief Finance and Transformation Officer	September 2018	High
Medium Term Financial Plan	<p>The Medium Term Financial Plan (MTFP) should be refreshed to determine the current expected funding gap. As part of this plan, we would expect it to include:</p> <ul style="list-style-type: none"> • Scenario planning to assess the funding gap when key assumptions are adjusted. • Detailed savings plans are identified in order to reduce the projected funding gap. • A fully integrated budget to allow effective resource planning. • Integration of the set aside budget 	<p>Budget outlook to be presented to the IJB to inform planning for 2019-20 to 2021-22. Medium Term Financial Plan for the same period will be presented to IJB to align the resources available with the service change required to deliver services within the available budget.</p> <p>The integration of set-aside will require to be taken forward separately pan-Ayrshire with the support of the Health Board.</p>	Chief Finance and Transformation Officer	March 2019	High

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Financial Planning	The Board should have confirmed funding from the NHS in advance of the start of the year to ensure that it has sufficient lead time to implement any changes required (see page 18).	<p>This issue is not unique to North Ayrshire and has been subject to discussion between the Scottish Government and the IJB Chief Finance Officers Group where it is recognised that the timescale for confirmation of Scottish Government grant funding to NHS Boards is detrimental to the ambition for IJBs to set a balanced budget by 31 March.</p> <p>The IJB will be presented with a budget outlook which will include scenario planning in relation to Health funding for future years, this would support the IJB to take decisions in advance of funding confirmation. However, clarity re funding would support the IJB to have confidence re decision making.</p>	NHS Board Director of Finance / Chief Finance and Transformation Officer	March 2019	High
Strategic/ Transformational Planning	<p>There should be a clear link between the Board's Strategic Plan and the MTFP to demonstrate what transformational work is to be carried out to achieve long term financial sustainability.</p> <p>A corporate workforce plan needs to be integral to this strategy.</p> <p>A change management programme should then be put in place, with appropriate tools and templates to allow the IJB to demonstrate that the benefits are being achieved.</p>	<p>Service change will be aligned with the delivery of Strategic Plan outcomes as part of the development of the MTFP for 2019-22.</p> <p>An approach to workforce planning is emerging, building on the work that the Council and NHS are undertaking, acknowledge that an integrated workforce plan should be developed alongside, however this is likely to take longer to develop.</p> <p>A consistent approach to project and change management is in place and Transformation Board recently established to ensure governance and accountability.</p>	Chief Finance and Transformation Officer	March 2019 (integrated workforce plan TBC)	High

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Governance and Reporting Arrangements	<p>For those areas led by one of the other IJBs or NHS Ayrshire & Arran, the level of detail provided to the Board is not equivalent to the areas under their direct control.</p> <p>We therefore recommend that the reporting arrangements are reviewed to ensure that complete and consistent information is provided to Board members to allow them to fulfil their governance responsibilities effectively (see page 25).</p>	<p>This issue was recognised in the review of the Integration Scheme carried out in 2017. It has been agreed across Ayrshire by the 3 IJBs that the use of "Directions" for commissioning services could be improved. Information is shared between the 3 partnerships re financial performance of lead arrangements and the risks are noted, however there is further clarity required in relation to the risk sharing. For 2017-18 overspends in lead services were balanced by non-recurring funding by NHS A&A. Further work is required to clarify and formalise risk sharing arrangements from 2018-19 onwards.</p> <p>Work is planned to be taken forward through the Ayrshire Finance Leads group which meets on a monthly basis. Joint work is also being undertaken by Ayrshire Finance Leads / Ayrshire Planning Leads to refine 'fair share' charging methodology for lead partnership services. The in-year financial position will be reported to the IJB through the financial monitoring reports. In addition the North Ayrshire IJB Internal Audit Plan includes a review of the governance for Lead Partnership arrangements, the outcome of this will be reported to the PAC.</p>	IJB Chief Officer, Chief Finance & Transformation Officer, Ayrshire Finance Leads Group	March 2019	Medium
Experience of Members	<p>There is concern that members who have no previous healthcare or council experience may find internal reports difficult to understand. In addition, we noted a general lack of understanding from some IJB members of their roles and responsibilities. We therefore recommend that appropriate training be provided for members (see page 25).</p>	<p>Development sessions have been held with IJB members to support new IJB members, however it is acknowledged that this needs to be revisited and a programme of continuous learning and development requires to be developed.</p>	Chief Officer	December 2018	Medium

Action plan (continued)

Recommendations for improvement (continued)

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Openness and Transparency	Whilst decision making is transparent and subject to scrutiny and challenge, we recommend that the IJB consider how performance information could be made more publicly available on the IJB's website. This would improve levels of openness and transparency (see page 25).	The Annual Performance Report is published each year. The Performance and Audit Committee receive quarterly reports on performance, however these are not publicly available as the Performance and Audit Committee papers are not published. The IJB are not currently able to publish these due to NHS information which is not currently in the public domain. Consideration will be given to elements of the performance and audit information which could be more openly shared and published to further support an approach to openness and transparency.	Chief Officer / Chief Finance & Transformation Officer	December 2018	Low

Fraud responsibilities and representations

Responsibilities explained



Responsibilities:

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.



Required representations:

We have asked the Board to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity or group.

We have also asked the Board to confirm in writing their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.



Audit work performed:

In our planning we identified the risk of fraud in recognition of income and management override of controls as a key audit risk for your organisation.

During the course of our audit, we have had discussions with management, internal audit and those charged with governance.

In addition, we have reviewed management's own documented procedures regarding fraud and error in the financial statements

We have reviewed the paper prepared by management for the Performance & Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

Deloitte view:

From our year-end audit procedures and discussions with management, we have noted no cause for concern around the fraud arrangements in place.



Independence and fees

As part of our obligations under International Standards on Auditing (UK), we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
Fees	<p>The audit fee for 2017/18 is £24,000 as detailed in our Audit Plan.</p> <p>No non-audit fees have been charged by Deloitte in the period.</p>
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



Events and publications

Our publications and insights to support the IJB

Publications

The State of the State 2017-18

Citizens, government and business

This year's report finds the UK government amid the complex challenge of leaving the EU. Inevitably, this early phase of EU exit is taking place under intense media scrutiny and passionate political debate. But while EU exit issues may dominate headlines, the public services face more local challenges as they address rising demand, budget restraint and renewed levels of concern about social inequality.

The State of the State 2017-18 explores government through three lenses – the citizen lens, the public sector lens and the business lens.

Download a copy of our publication here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/state-of-the-state.html>



Sharing our informed perspective

We believe we have a duty to share our perspectives and insights with our stakeholders and other interested parties including policymakers, business leaders, regulators and investors. These are informed through our daily engagement with companies large and small, across all industries and in the private and public sectors.

Recent publications relevant to the local authorities are shared opposite:

Perspectives: Do you have a digital mindset?

Accelerating health and care integration

Digital technology is helping to transform the way citizens interact with service providers across all other service industries. The time is now ripe for changing the relationship between health and social care commissioners and providers and service users.

Read the full blog here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/do-you-have-a-digital-mindset.html>

Article: Public sector transformation

Five lessons from the private sector

An analysis of private sector global companies, including high-tech start-ups, manufacturers, banks, retailers and insurance firms, reveal five valuable lessons for the public sector.

Read the full article here:

<https://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sector-transformation.html>



Deloitte LLP does not accept any liability for use of or reliance on the contents of this document by any person save by the intended recipient(s) to the extent agreed in a Deloitte LLP engagement contract.

If this document contains details of an arrangement that could result in a tax or National Insurance saving, no such conditions of confidentiality apply to the details of that arrangement (for example, for the purpose of discussion with tax authorities).

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London, EC4A 3HQ, United Kingdom.

Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.