

# South Lanarkshire Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the members of South Lanarkshire Integration Joint Board and the Controller of Audit  
11 September 2018

## 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

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

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## 2017/18 Annual Report and Accounts

- 1** The financial statements of South Lanarkshire Integration Joint Board for 2017/18 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 South Lanarkshire Integration Joint Board Annual Report and Accounts for 2017/18.

## Financial management and sustainability

- 3** The Joint Board reported a surplus of £2.159 million for 2017/18.
- 4** A medium to long term financial plan should be developed to bring together risks and opportunities affecting the Joint Board's financial position and financial sustainability.
- 5** The Joint Board should ensure that a comprehensive and detailed budget is set at the start of the financial year and that any changes to the budget are clearly mapped out in budget monitoring reports.
- 6** Key controls within the main financial systems of both partner bodies were operating satisfactorily.

## Governance, transparency and value for money

- 7** The Joint Board approved a refreshed Strategic Commissioning Plan for 2018-19 in March 2018. The plan sets out ten strategic priorities linked to the Scottish Government's nine health and wellbeing outcomes.
- 8** The Joint Board has satisfactory governance arrangements in place.
- 9** The Joint Board is open and transparent however, current arrangements could be further enhanced.
- 10** The Joint Board should develop its own mechanism to demonstrate that it is meeting its Best Value duties.
- 11** Oversight and scrutiny of performance is expected to be enhanced with the introduction of the partnership performance reporting framework.

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# Introduction

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1. The scope of our audit was set out in our Annual Audit Plan presented to the February 2018 meeting of the Performance and Audit Committee.
2. This report sets out our findings from:
  - the audit of the Annual Report and Accounts
  - our consideration of the wider dimensions of public sector audit, [Exhibit 1](#), as set out in Audit Scotland's [Code of Audit Practice](#).

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## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

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3. The main elements of our audit work in 2017/18 were:
  - an assessment of the Joint Board's arrangements for recording financial information and its governance arrangements
  - an audit of the Joint Board's 2017/18 Annual Report and Accounts
  - obtaining service auditor assurances from the auditors of NHS Lanarkshire (NHSL) and South Lanarkshire Council (SLC)
  - consideration of the four audit dimensions.
4. The management of the Joint Board is responsible for, inter alia:
  - preparing financial statements which give a true and fair view
  - putting in place proper arrangements for the conduct of its affairs

- ensuring that the financial position is soundly based.

**5.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

**6.** An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made. It is the auditor's responsibility to express an opinion on the financial statements prepared by management. This does not relieve management of the responsibility for the preparation of the financial statements.

**7.** Our aim is to add value to the Joint Board by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the Joint Board promote improved standards of governance, better management and decision making and the more effective use of resources.

**8.** An action plan is included at [appendix 1](#) setting out our recommendations to address the issues and risks identified from our audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Agreed management action/timing". We recognise that not all risks can be eliminated or even minimised. What is important is that the Joint Board understands its risks and has arrangements in place to manage them. The Joint Board should ensure that it is satisfied with the proposed actions and has an adequate mechanism in place to assess progress and monitor outcomes.

**9.** We comply with the Financial Reporting Council's Ethical Standard. We have not undertaken any non-audit services; the audit fee of £24,000, set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** This report is addressed to both the members of the Joint Board and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**11.** The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Part 1

## Audit of 2017/18 Annual Report and Accounts



### Main judgements

**The financial statements of South Lanarkshire Integration Joint Board for 2017/18 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 South Lanarkshire Integration Joint Board Annual Report and Accounts for 2017/18.**

### Audit opinions on the Annual Report and Accounts

**12.** The Joint Board's Annual Report and Accounts for the year ended 31 March 2018 was approved by the Joint Board on 11 September 2018.

**13.** We reported, in our Independent Auditor's Report:

- an unqualified opinion on the financial statements;
- an unqualified audit opinion on the auditable part of the remuneration report, management commentary and annual governance statement.

**14.** We also concluded that there were no matters upon which we are required to report to the Accounts Commission by exception.

The Annual Report and Accounts is the principal means of accounting for the stewardship of the Joint Board's resources and its performance in the use of those resources.

### Submission of Annual Report and Accounts for audit

**15.** We received the unaudited financial statements on 15 June, in line with our agreed audit timetable. The working papers provided with the unaudited Annual Report and Accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

**16.** Information was provided to NHS Lanarkshire and South Lanarkshire Council in relation to the year-end figures in accordance with the pre-agreed timetable. The information provided was considered adequate for consolidation purposes. Assurances from NHS Lanarkshire and South Lanarkshire Council were received by the Joint Board in a timely manner.

### Risks of material misstatement

**17.** The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which involved the highest level of judgement and potential impact on the financial statements. We set out in our Annual Audit Plan, the audit work we proposed to undertake to secure appropriate levels of assurance. [Appendix 2](#) sets out the significant audit risks identified and how we addressed each risk in arriving at our opinions on the Annual Report and Accounts.

## Materiality

**18.** Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law).

**19.** Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit. We assessed the materiality of uncorrected misstatements, both individually and collectively, in forming our opinions on the financial statements.

**20.** On receipt of the Annual Report and Accounts and following completion of audit testing materiality levels were recalculated: summarised at [exhibit 2](#). There was no significant change between the levels of materiality calculated at the planning stage and our final calculation.

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## Exhibit 2

### Materiality levels

Materiality level	Amount
Overall materiality	£4.762 million
Performance materiality	£2.857 million
Reporting threshold	£0.100 million

Source: Audit Scotland, 2017/18 Annual Audit Plan

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## Evaluation of misstatements

**21.** One material adjustment was identified in the unaudited accounts. This relates to a change in the prescribed accounting treatment of expenditure incurred on services hosted by South Lanarkshire Integration Joint Board on behalf of North Lanarkshire Integration Joint Board, further details of which are included at [exhibit 3](#), point 2. The appropriate adjustment was made and this resulted in an increase of £20.410 million to both income and expenditure in the Comprehensive Income and Expenditure Statement. There were no other adjusted or unadjusted errors.

## Significant findings

**22.** International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit “to those charged with governance”. Our significant findings are summarised at [exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan at [appendix 1](#) is included.

**23.** The findings include our views about significant qualitative aspects of accounting practices including: significant financial statements disclosures, the impact of any uncertainties, misstatements in the Annual Report and Accounts, accounting estimates and judgements, and the effect of any unusual transactions on the financial statements.

## Exhibit 3

### Significant findings

Issue	Resolution
<p><b>1. Hospital acute services (set aside)</b></p> <p>The “set aside” budget is the Joint Board’s share of the budget for delegated acute services provided by large hospitals, on behalf of the Joint Board. Included within the total Joint Board expenditure of £496.655 million is £54.715 million “set aside” costs.</p> <p>The budget and actual expenditure reported for the “set aside” are equal. The figure is based on 2015/16 activity levels for hospital inpatient and day case activity, as provided by NHS National Services Scotland’s Information Services Division, adjusted to reflect 2017/18 costs.</p>	<p>The Comprehensive Income and Expenditure Account correctly incorporates the set aside costs.</p> <p>This is a transitional arrangement which was agreed by the Scottish Government for 2016/17 and 2017/18. NHS Lanarkshire and the Joint Board have made good progress in establishing processes for identifying and managing services delivered within the acute setting.</p> <p> <a href="#">Recommendation 1 (refer appendix 1, action plan)</a></p>
<p><b>2. Accounting for hosted services</b></p> <p>The Integration Scheme sets out healthcare services which are provided by South Lanarkshire Joint Board on behalf of North Lanarkshire Joint Board.</p>	<p>The necessary adjustments were made to the accounts. This resulted in an increase in hosted services expenditure and corresponding income of £20.410 million. There is no net impact on the accounts.</p> <p>The Joint Board should ensure that there is a formal minute of agreement with North Lanarkshire Integration Joint Board and NHS Lanarkshire around how under and overspends on hosted services will be managed.</p> <p> <a href="#">Recommendation 2 (refer appendix 1, action plan)</a></p>

### Good practice in financial reporting

**24.** In the main, the Annual Report and Accounts reflect good practice as set out in the Audit Scotland good practice note on *‘Improving the quality of local authority accounts – integration joint boards’* (April 2018). In accordance with normal audit practice, some minor presentational amendments were agreed with management.

### Follow up of prior year recommendations

**25.** We followed up actions reported in 2016/17 and assessed progress on implementation, [appendix 1](#). Revised responses and timescales have been agreed with management.

**26.** Overall the Joint Board has made steady progress in implementing the agreed actions. There were ten agreed actions in 2016/17. Of these:

- five have been fully implemented
- five are not actioned or have only partly been actioned

**27.** The outstanding actions are either in progress or there are implementation plans in place.

# Part 2

## Financial management and sustainability



### Main judgements

The Joint Board reported a surplus of £2.159 million for 2017/18.

A medium to long term financial plan should be developed to bring together risks and opportunities affecting the Joint Board's financial position and financial sustainability.



The Joint Board should ensure that a comprehensive and detailed budget is set at the start of the financial year and that any changes to the budget are clearly mapped out in budget monitoring reports.

Key controls within the main financial systems of both partner bodies were operating satisfactorily.

### Financial management

**28.** Financial management is about financial capacity, sound budgetary processes and the control environment in operation over financial systems. It is the Joint Board's responsibility to ensure that its financial affairs are conducted in a proper manner.

**29.** The Joint Board is required by statute to make arrangements for the proper administration of its financial affairs and to appoint a "proper officer" to have "responsibility for the administration of those affairs" (section 95 of the Local Government (Scotland) Act 1973). For the South Lanarkshire Integration Joint Board, that officer is the Chief Financial Officer. Financial regulations and standing orders are comprehensive and mirror those of the partner bodies.

**30.** A statement providing guidance on the role of the Chief Financial Officer in local government was issued by CIPFA in 2016. The guidance is intended to support CFOs in the fulfilment of their duties. The statement sets out principles that define the core activities of the role of the CFO in local government, including:

- Being a key member of the leadership team.
- Promoting and delivering good financial management.
- Influencing business decisions and ensuring alignment with financial strategy.
- Leading and directing the finance function.

**31.** The integration scheme between NHS Lanarkshire and South Lanarkshire Council regulates the relationship between the partners. The Joint Board commissions delegated health and social care services from the partners using budget contributions allocated by the partners.

**32.** The Joint Board does not have any assets, nor does it directly incur expenditure or employ staff. All expenditure relating to services delegated to the

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

Joint Board is incurred by NHS Lanarkshire or South Lanarkshire Council and processed through the respective financial systems.

**33.** The Joint Board is responsible for financial and operational performance and for taking action to address variances from budget. In order to discharge this duty, it is essential that timeous and comprehensive budget monitoring information is submitted to the Joint Board. Budget monitoring reports featured on the agenda for all Joint Board meetings during 2017/18, with the exception of the special meetings, and follow a prescribed format which includes explanations for significant variances and a forecast for the year end outturn. This represents an improvement in the quality of budget monitoring information presented to the Joint Board in 2016/17.

**34.** Differing committee cycles mean that there can be time lags in excess of two months from the end of the financial reporting period and the date of the Joint Board meeting where the report is considered. The table at [exhibit 4](#) shows the reporting dates for the partner bodies for each of the Joint Board meetings. The Joint Board should work with partners to align budget monitoring processes to minimise the delay between the end of the reporting period and the information being considered by the Joint Board. Management are considering how committee cycles could be aligned to ensure the timeliness of reporting.



[Recommendation 3 \(refer appendix 1, action plan\)](#)

## Exhibit 4

### Periods covered in budget monitoring reports

Joint Board meeting	Health care reporting date	Social care reporting date
17 April 2018	28 February 2018	2 February 2018
13 February 2018	31 December 2017	9 December 2017
5 December 2017	30 September 2017	15 September 2017
12 September 2017	31 July 2017	21 July 2017

Source: Audit Scotland

## Financial performance in 2017/18

**35.** In 2017/18 the Joint Board reported a surplus of income over expenditure of £2.159 million against a budget of £498.814 million.

**36.** During 2017/18 financial monitoring reports, which included a forecast year end outturn, were submitted to the Joint Board. These reports forecast an overspend position, mainly due to overspends in prescribing and social care. During the year NHS Lanarkshire contributed a further £1 million funding to off-set the prescribing overspend. This has the effect of reducing the overall underspend against original budget by £1 million.

**37.** The most significant variances from budget are within the health side of the Joint Board's activities. Management advised in the final outturn report of a range of contributory factors including unfilled staff vacancies and equipment costs, however, the main reason was the delay in progressing the "Primary Care

Transformation Fund” projects (£0.932 million). No specific reasons for the delay were provided.

**38.** The final outturn report indicated that the main contributory factor in the social care side was a £0.790 million underspend attributable to care home discharges being higher than expected; and higher than anticipated levels of contributions to care costs from service users.

## Budget monitoring and scrutiny

**39.** Good financial management is fundamental to achieving strategic aims, demonstrating that public money is used well and establishing confidence in the public services. Fundamental to sound financial management is the preparation of a detailed budget to:

- demonstrate how much planned services will cost and how they will be financed
- demonstrate budget holder accountability
- trigger remedial action where needed
- facilitate scrutiny by members

**40.** It is the Chief Financial Officer’s responsibility to establish a strong framework for implementing and maintaining good financial management across the Joint Board. This includes provision of budgetary control information, at an appropriate level of detail, to both members and budget holders as required. To facilitate this the Chief Financial Officer should be provided with the appropriate level of financial information from the partner bodies.

**41.** The Joint Board’s budget for 2017/18 was set at the highest level. The Integrated Financial Plan considered by members in March 2017 set out budget assumptions and savings proposals. No detail was presented to, or approved by, members. This meant that the Joint Board was pursuing its strategic plan activities without a formally agreed detailed budget and continues to operate without an approved detailed budget for 2018/19.

**42.** The first high level line by line budget was presented to the Joint Board on 12 September 2017. In the absence of an approved detailed budget members had no way of knowing what variances were present in the interim figures. Effective scrutiny under these circumstances is not possible. The Joint Board should ensure that a comprehensive and detailed budget is set at the start of the financial year and that any changes to the budget are clearly mapped out in budget monitoring reports.



### [Recommendation 4 \(refer appendix 1, action plan\)](#)

**43.** Notwithstanding, the absence of detailed budgets, the format and structure of the budget monitoring reports submitted to the Joint Board are of a good standard. However, a greater level of explanation for movements in under/overspends between periods would improve the ability of members to scrutinise and challenge service delivery and progress against goals.

**44.** At present performance monitoring reports are considered by both the Joint Board and the Performance and Audit Committee and there is evidence of good challenge around these reports. Instances have also been observed of members making their own links between financial monitoring information and performance reporting; this enhances the scope and quality of scrutiny. Having now embedded financial and performance reporting, the Joint Board should consider combining these to ensure that members have clear sight of the impact of variances against budget in terms of service performance. The opportunity for comprehensive

scrutiny could be further enhanced by combining performance reporting with financial reporting.

**45.** Overall, the Joint Board's budget monitoring arrangements need to be further enhanced to ensure that members are properly sighted on financial progress against plan throughout the year.

## Efficiency savings

**46.** The Joint Board needs to make efficiency savings to maintain financial balance. In 2017/18 the Joint Board was expected to make efficiency savings of £2.625 million, (£2.127 million from health and £0.498 million from social care).

**47.** The 2018/19 financial plan was approved by the Joint Board in March 2018. This set out required savings of £0.649 million and £0.230 million from health and social care respectively. Proposals for achieving savings in social care services were agreed at the meeting. In June 2018 the Chief Financial Officer presented a report to the Joint Board which set out proposals for savings amounting to £0.539 million in health services. These were approved by the Joint Board leaving a budget deficit of £0.110 million to be addressed during the year.

**48.** It is important that efficiency savings are delivered in a planned way, to ensure that agreed levels of service provision are not compromised. In terms of the overall budget of the Joint Board the required savings are modest and achievable. There is, however, currently no reporting to the Joint Board on whether savings targets are being met, how these are being achieved and whether there are any unpredicted consequences.

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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.

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[Recommendation 5 \(refer appendix 1, action plan\)](#)

## Financial planning

**49.** In 2016/17 we reported the importance of a medium to long term financial plan to support longer term planning for the Joint Board. This was included as an action point and the Joint Board agreed to develop a medium to long term plan by December 2017. Management have advised that work is still ongoing to develop a medium term financial plan. One of the challenges for the Joint Board is the short term financial planning cycle of the Scottish Government and the resulting uncertainty over future NHS budgets. We understand that the Scottish Government intends to issue a five year financial plan for the NHS shortly, which the Chief Financial Officer will use to inform the longer term financial plan of the Joint Board. The action point from 2016/17 has been carried forward for action in 2018/19.

## Reserves strategy

**50.** The Joint Board is empowered to hold reserves. The Reserves Policy was approved by the Joint Board in February 2017 and the Reserves Strategy for 2018/19 was approved by the Joint Board in June 2018.

**51.** The Strategy sets out the level of reserves held at 31 March 2018 and the planned use of the reserves. At 31 March 2018 the Joint Board held £8.278 million in the General Fund, £5.447 million of which was earmarked for specific purposes in 2017/18 and a further £1.113 million was earmarked for use in 2018/19. Ring-fenced funding of £1.167 million was also held, mainly relating to the Primary Care and Mental Health Transformation Fund (£0.932 million). The remaining balance of £0.551 million has not been allocated for a specific purpose.

**52.** Of the £5.447 million earmarked for use in 2017/18, only £0.121 million was spent in year. The remaining balance has been carried forward to 2018/19 to be spent on the same intended purpose.

## Exhibit 6

### Summary of Reserves

Reserve	2016/17 £m	2017/18 £m
<b>Earmarked Reserves 2017/18</b>		
Primary Care and Mental Health Transformation Fund	2.749	2.749
Alcohol and Drug Partnership Fund	0.473	0.473
Family Health Services	0.015	0.015
Prescribing Fund	0.636	0.636
Transitional Fund	0.696	0.575
Telehealth Project	0.191	0.191
Palliative Care Services	-	0.808
<b>Earmarked Reserves for 2018/19</b>		
Social Care Contingency	-	0.701
Training Fund – Health Visitors	-	0.220
Increase to Prescribing Fund	-	0.100
IT Federated Trust Environment	-	0.070
Diabetes Capacity Plan	-	0.022
<b>Ring-fenced Reserves for 2018/19</b>		
Primary Care and Mental Health Transformation Fund	-	0.932
TEC British Heart Foundation Funds	-	0.042
TEC Antenatal Pilot	-	0.017
Physio Trauma and Orthopaedics Pilot	-	0.093
OT Trauma and Orthopaedics Pilot	-	0.083
<b>Unallocated</b>		
Contingency	1.359	0.551
<b>Total Reserves</b>	<b>6.119</b>	<b>8.278</b>

Source: South Lanarkshire Joint Board 2018/19 Reserves Strategy

53. The CIPFA Local Authority Accounting Panel (LAAP) bulletin 99 provides guidance on the establishment and maintenance of reserves. It does not prescribe the level of reserves, but places the responsibility on the Chief Financial Officer to

advise the Joint Board on the creation and levels of reserves appropriate to the Joint Board's circumstances. The bulletin recognises that "earmarked" reserves are a valid way to meet known or predicted requirements.

**54.** As part of the annual budget setting process, a review of reserves, including earmarked balances, should be undertaken and reported to the Joint Board. The Joint Board should ensure that where funds are earmarked for a specific purpose to support service transformation and delivery, that these are used as planned to deliver the intended service benefits. If not, they should not be classified as earmarked balances.



[Recommendation 6 \(refer appendix 1, action plan\)](#)

## Systems of internal control

**55.** All financial transactions of the Joint Board are processed through the financial systems of NHS Lanarkshire and South Lanarkshire Council. As part of our audit approach we sought assurances from the external auditors of NHS Lanarkshire and South Lanarkshire Council. We concluded that the key controls within the main financial systems of the partner bodies were operating satisfactorily and that no significant risks were identified.

# Part 3

## Governance, transparency and value for money



### Main judgements

**The Joint Board has satisfactory governance arrangements in place.**



**The Joint Board is open and transparent however, current arrangements could be further enhanced.**

**The Joint Board should develop its own mechanism to demonstrate that it is meeting its Best Value duties.**

**Oversight and scrutiny of performance is expected to be enhanced with the introduction of the partnership performance reporting framework.**

### Governance arrangements

**56.** The integration scheme between South Lanarkshire Council and NHS Lanarkshire sets out governance arrangements. The Joint Board is responsible for establishing arrangements for ensuring proper conduct of its affairs and for monitoring the adequacy of these arrangements. The Joint Board's governance arrangements and procedures are regulated by a set of procedural documents including a Scheme of Delegation; Standing Orders; Terms of Reference; and Financial Regulations.

**57.** The Joint Board is responsible for the strategic commissioning of health and social care services in South Lanarkshire and is supported by a number of groups, [exhibit 7](#). It is responsible for setting priorities and policies in the context of legislative requirements and has an obligation to report, explain and be answerable for decisions. It comprises a wide range of service users and partners including four elected councillors nominated by South Lanarkshire Council and four directors nominated by NHS Lanarkshire.

**58.** The Joint Board is supported by a Chief Officer who provides overall strategic and operational advice to the Joint Board and is directly accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of South Lanarkshire Council and the Chief Executive of NHS Lanarkshire and provides regular reports to both the Council and the Board of NHS Lanarkshire.

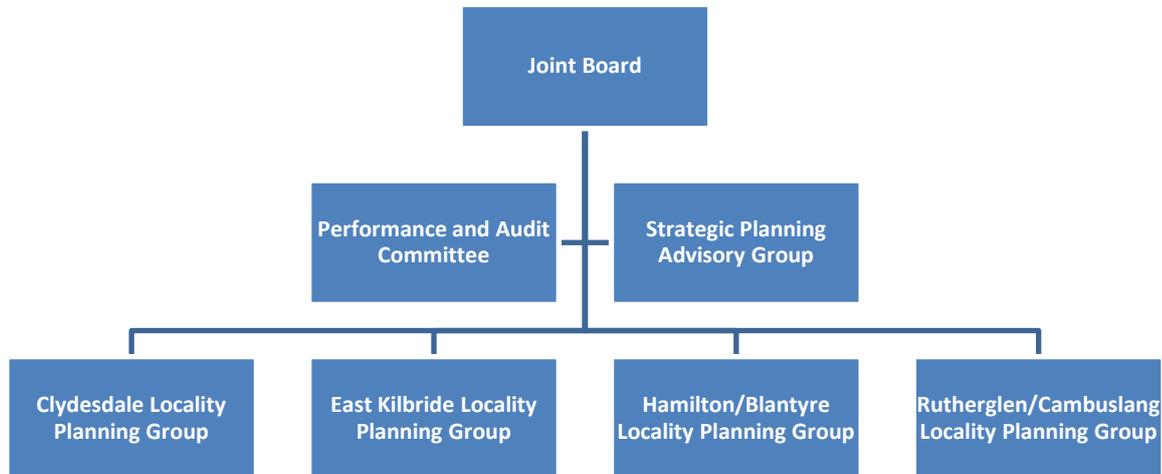
**59.** The Joint Board and Performance and Audit Committee meet on a regular basis throughout the year. We attend meetings of the Joint Board, mainly as observers and we attend and contribute to the Performance and Audit Committee throughout the year.

**60.** In April 2018 officers ran a development session for Joint Board members which aimed to develop a shared understanding of the role and function of the Joint Board and how this links with the partner organisations, South Lanarkshire Council and NHS Lanarkshire. A programme of quarterly development sessions is planned, with members consulted on proposed topics at the meeting of the Joint Board in September 2018. These development sessions will support members in ensuring that they have the necessary knowledge and understanding to discharge their responsibilities as members of the Joint Board.

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.

## Exhibit 7

### Committees and groups at South Lanarkshire Integration Joint Board



Source: Audit Scotland

**61.** Last year we suggested that the Joint Board should review how it is organised to conduct its work and whether it could work more effectively through greater use of committees. In response to our recommendation, a paper was presented to the Joint Board in September 2018 recommending that the role of the Performance and Audit Committee be extended to include responsibility for scrutinising financial information and any other items which would benefit from further scrutiny. In our view, this change will help to ensure more effective scrutiny while managing the workload of the Joint Board.

**62.** We concluded that, overall, the Joint Board has satisfactory governance arrangements in place. The Joint Board should monitor the impact of the changes to the governance arrangements set out above to ensure they are delivering the intended outcome.

### Refreshed strategic plan

**63.** The Joint Board approved the 2016-19 Strategic Commissioning Plan in March 2016. In recognition of the plan entering its third and final year, a refreshed plan for 2018-19 was approved by the Joint Board in March 2018. The plan identifies ten strategic priorities linked to the Scottish Government's nine health and wellbeing outcomes. These are:

- Statutory / core work
- Early intervention, prevention and health improvement
- Carers support
- Models of self-care and self-management
- Seven-day services
- Intermediate care to reduce reliance on hospital and residential care

- Suitable and sustainable housing
- Single points of contact
- Mental health and wellbeing
- Enablers to support better integrated working

**64.** The refreshed strategic plan aims to build on the experiences of the first two years of integration and reflects changes in national and local policies. Key areas for development are included in the plan which provide a focus for the year ahead and are useful stepping stones for the development and approval of the 2019-2022 Strategic Commissioning Plan. Key areas identified for continuing development include: changing cultures; strengthening the locality model; and, shifting the balance of care.

### Value for money and performance management

**65.** The Local Government in Scotland Act 2003 places local authorities, including joint boards, under a duty to make arrangements that secure Best Value and defines Best Value as "continuous improvement in the performance of the authority's functions". 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.

**66.** While there is evidence of elements of Best Value being demonstrated by the Joint Board, there is no overall mechanism for formal review. Reliance is placed on the arrangements adopted by the partners to demonstrate that services are delivering Best Value. Mechanisms and reporting arrangements should be implemented to provide assurance, to the Chief Officer and the Joint Board that Best Value is being secured for the Joint Board. This was raised as an action point in 2016/17 and is included at [appendix 1](#) as an outstanding action. Management has agreed to undertake a formal review in 2018/19 to demonstrate how the duty of Best Value is being met.

**67.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is published by 31 July each year. The Joint Board's annual performance report was published on the website ahead of the statutory deadline of 31 July 2018. In the main, the annual performance report covers the key areas set out in statutory guidance. However, there are some areas where content and presentation could be further developed to provide a more informative and user friendly publication.

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

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#### [Recommendation 7 \(refer appendix 1, action plan\)](#)

**68.** During 2017/18 performance management was delivered through a combination of arrangements within the partnership bodies and the Joint Board.

**69.** The Joint Board receives bi-monthly performance reports which track progress against the six priority measures as determined by the Scottish Government ministerial group. The reports show actual performance compared to target and provides a useful graphic of performance trends since April 2015. The indicators currently reported are:

- unplanned admissions
- delayed discharges
- occupied bed days for unscheduled care
- end of life care

- accident and emergency performance
- the balance of spend across institutional and community services

**70.** In May 2018 the Performance and Audit Committee approved a refreshed performance reporting framework with the objective of having greater oversight of performance. The new reporting framework measures a suite of indicators at organisation, senior management and locality levels based on:

- strategic indicators relating to the Commissioning Plan which will be monitored on a 6-monthly basis
- a mix of strategic and operational measures by partnership area and the 4 localities which will be monitored on a quarterly basis.

**71.** Performance monitoring information reported to the Joint Board in June 2018 highlighted the following:

- A&E attendances are up year to year by 4%. The latest reported information is for October 2017 which indicated A&E attendances at 8,866 against a target of 8,015
- Unscheduled bed days decreased by 6% year on year and are continuing to reduce
- Delayed discharge bed days have reduced significantly. As at March 2018 the Joint Board saw a reduction of 1,795 bed days lost compared to the same period in 2017. This represents a 44% reduction in bed days lost and reflects the ongoing trend since December 2017
- The number of people spending the last six months of life in the community is increasing
- South Lanarkshire community based service provision remains just under 98% which is broadly in line with other large partnerships.

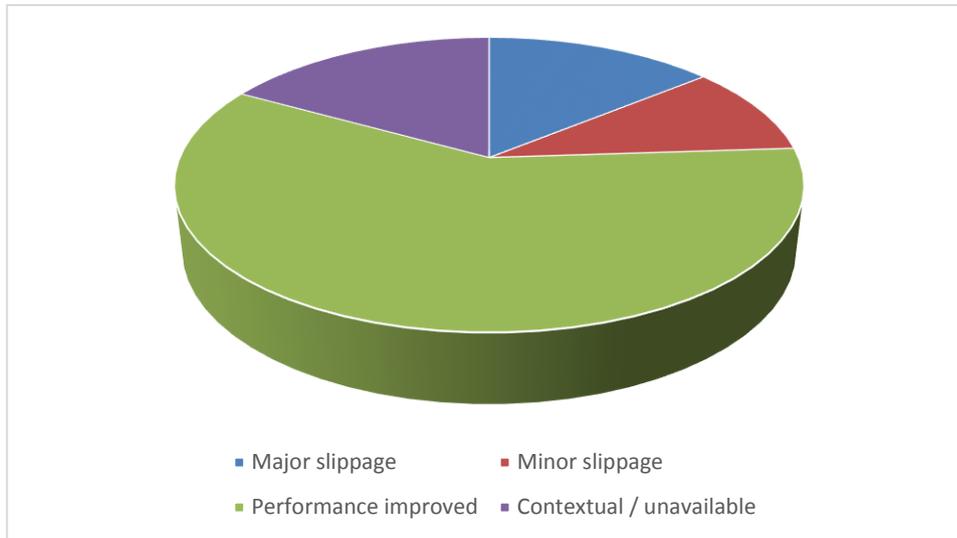
**72.** At an operational level, a quarterly Chief Executive Performance Review is compiled for a suite of 71 indicators which indicates performance against the 9 strategic outcomes. The 2017/18 year end report, [exhibit 8](#), indicates:

- 42 (59%) showing improved performance
- 7 (10%) showing “minor” slippage
- 10 (14%) showing major slippage
- the remaining 12 (17%) are contextual or not currently available.

**73.** In 2016/17 we commented on the high level of delayed discharges within South Lanarkshire and noted the steps taken by the Joint Board to reduce these delays. The reduction in delayed discharges suggest that the Joint Board’s actions are having a positive impact. Overall, the Joint Board’s reported performance against some key indicators is encouraging although it continues to face challenges in reducing A&E attendance and hospital admissions.

## Exhibit 8

Performance: Q4 in 2017/18 compared to Q4 in 2016/17



Source: Quarterly CE Dashboard Report Q4 2017/18

## Transparency

**74.** Transparency means that the general public has access to understandable, relevant and timely information about how the Joint Board is taking decisions and how it is using resources.

**75.** In 2016/17 we recommended that the Joint Board should develop its own website to ensure that interested citizens had better access to information relating to the Joint Board. The Joint Board launched its own website in December 2017 and the Chief Officer has advised that the feedback on the website has been very positive. Agendas and minutes for all Joint Board and Performance and Audit Committee meetings are available to the public through the website.

**76.** The launching of the website and the availability of agendas and minutes is good progress. Management are considering what further enhancements could be made to the website to ensure that it continues to contain useful and informative content for citizens and other stakeholders moving forward.



[Recommendation 8 \(refer appendix 1, action plan\)](#)

**77.** Overall, we concluded that the Joint Board conducts its business in an open and transparent manner. We expect openness and transparency to be further developed as the organisation matures and a wider public understanding of its functions develops.

## Internal audit

**78.** Internal audit provides the Joint Board, the Chief Officer and the Chief Financial Officer with independent assurance on the organisation's overall risk management, internal control and corporate governance processes. The internal audit function is carried out on a joint basis by the Chief Auditors of South Lanarkshire Council and NHS Lanarkshire. A formal review of the adequacy of internal audit was completed for the Integration Joint Board in January 2018. In addition, the external auditors of the partners have completed assessments of their respective bodies. All assessments found that internal audit services operate in accordance with Public

Sector Internal Audit Standards (PSIAS) and have sound documentation standards and reporting procedures in place.

**79.** To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2017/18 we placed formal reliance on internal audit's work on Strategic Planning and Commissioning and Financial Planning. We also considered internal audit report findings as part of our wider dimension work.

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

**80.** As auditors of the Joint Board, we obtain assurances from the auditors of the partner bodies in respect of internal controls and aspects of governance arrangements. Each partner body has a code of conduct for members and staff which sets out the standards expected in undertaking their duties.

### Cyber security

**81.** The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017. This requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate. As set out above, the Joint Board does not have any of its own systems so relies on the ICT arrangements in the partner organisations. The interim audit reports of NHS Lanarkshire and South Lanarkshire Council noted that they are on target to secure the Cyber Essentials and Cyber Essentials Plus accreditations respectively, by October 2018 in accordance with the Scottish Government target.

### General Data Protection Regulation

**82.** The EU General Data Protection Regulation (GDPR) came into force across all member states on 25 May 2018. GDPR contains provisions and requirements pertaining to the processing of personally identifiable information and has introduced new and significantly changed data protection concepts.

**83.** The Director of Health and Social Care took a report to the Joint Board in June 2018 on the implications of GDPR for the Joint Board. The Joint Board approved the appointment of a Data Protection Officer and a Senior Risk Officer for the Joint Board in line with recommendations of the Information Commissioner's Office. The Joint Board is clearly sighted on its obligations in respect of GDPR and is taking the necessary steps to remain compliant.

### 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. In 2017/18 we published some reports which are of direct interest to the Joint Board, [appendix 3](#).

**85.** Review of agendas for the Joint Board and the Performance and Audit Committee meetings in 2017/18 established that relevant national reports such as the Overview of NHS in Scotland (November 2017) had not been considered by the members. The Joint Board should develop protocols to ensure that all national reports which are relevant to the Joint Board are considered by members and any necessary action taken to address the recommendations of the report.



[Recommendation 9 \(refer appendix 1, action plan\)](#)

### Health and Social Care Integration performance audit

**86.** Audit Scotland, as part of a series of reports, has undertaken a national study to examine the impact of the integration of health and social care services. South Lanarkshire Integration Joint Board was visited as part of the fieldwork

for the study. The report is due to be published in November 2018 and will reflect on leadership and collaboration, integrated finances and strategic planning.

# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Hospital acute services (set aside)</b></p> <p>The total Joint Board expenditure includes “set aside” costs for hospital acute services. The figure is an estimate, based on 2015/16 activity levels.</p> <p><b>Risk</b></p> <p>In future years the sum set aside recorded in the annual accounts will not reflect actual activity levels.</p>	<p>NHS Lanarkshire and the Joint Board should continue to build on the progress made in developing a methodology for identifying relevant activity, in accordance with Scottish Government guidance.</p>	<p>Opportunities will continue to be progressed in order to capture activity levels and costs as accurately as possible and to comply with emerging guidance on the “set aside” budget. Progress in this regard still continues to rely on the information from ISD on activity levels.</p> <p>Chief Financial Officer in consultation with the NHS Lanarkshire Director of Finance</p> <p>March 2019</p>
2	<p><b>Accounting for hosted services</b></p> <p>The South Lanarkshire Integration Scheme is not explicit on the arrangements for over or underspends in respect of hosted services.</p> <p><b>Risk</b></p> <p>Over/underspends on hosted services become an area of dispute.</p>	<p>The Joint Board should ensure that there is a formal minute of agreement with North Lanarkshire Integration Joint Board and NHS Lanarkshire around how under and overspends on hosted services will be managed.</p>	<p>A formal minute of agreement with North Lanarkshire Integration Joint Board and NHS Lanarkshire will be developed.</p> <p>Chief Financial Officer</p> <p>February 2019</p>
3	<p><b>Budget monitoring reporting periods</b></p> <p>Timeous budget monitoring is essential to ensure that action can be taken promptly to address concerns around variances from budget.</p> <p><b>Risk</b></p> <p>Variances against budget are not identified in sufficient time</p>	<p>The Joint Board should work with partners to align budget monitoring processes to minimise the delay between the end of the reporting period and the information being considered by the Joint Board.</p>	<p>A review of the reporting schedules for the Joint Board and the partners will be undertaken to minimise potential delays. The remit of the Performance and Audit Sub-Committee will also be considered as part of this review.</p> <p>Chief Financial Officer</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			February 2019
4	<p><b>Budget setting and scrutiny</b></p> <p>The Joint Board's budget for 2017/18 was set at the highest level. No detail was presented to, or approved by, members.</p> <p><b>Risk</b></p> <p>Members are unable to effectively scrutinise and challenge officers on performance.</p>	<p>The Joint Board should ensure that a comprehensive and detailed budget is set at the start of the financial year and that any changes to the budget are clearly mapped out in budget monitoring reports.</p>	<p>A review will be undertaken to further develop the financial monitoring arrangements for the Joint Board.</p> <p>Chief Financial Officer</p> <p>March 2019</p>
5	<p><b>Efficiency savings</b></p> <p>There is no reporting to the Joint Board on whether savings targets are being met, how these are being achieved and whether there are any unpredicted consequences.</p> <p><b>Risk</b></p> <p>Savings are not being delivered in accordance with decisions taken by the Joint Board.</p>	<p>The Joint Board should develop reporting arrangements to demonstrate how planned efficiency savings are being met.</p>	<p>The progress in respect of the achievement of planned efficiency savings will be included in the financial monitoring reports to the Joint Board.</p> <p>Chief Financial Officer</p> <p>December 2018</p>
6	<p><b>Reserves</b></p> <p>The Joint Board held reserves amounting to £8.278 million at 31 March 2018, £5.998 million of which was brought forward from 2016/17 for "earmarked" purposes.</p> <p><b>Risk</b></p> <p>Reserves are not being used for the purpose originally intended and anticipated service benefits are not realised.</p>	<p>As part of the annual budget setting process, a review of reserves, including earmarked balances, should be undertaken and reported to the Joint Board. The Joint Board should ensure that where funds are earmarked these are used as planned to deliver the intended service benefits.</p>	<p>A review of earmarked reserves will be undertaken and reported to the Joint Board as part of the annual budget setting process.</p> <p>Chief Financial Officer</p> <p>December 2018</p>
7	<p><b>Public performance reporting</b></p> <p>The Joint Board's annual performance report was published on the website ahead of the statutory deadline of 31 July 2018. There are some areas where content and presentation could be further developed to provide a more</p>	<p>The Joint Board should review the structure and content of its public performance report and consider whether it could be improved to better inform stakeholders.</p>	<p>A review will be undertaken to further develop the public performance report.</p> <p>Chief Officer</p> <p>March 2019</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>informative and user friendly publication.</p> <p><b>Risk</b></p> <p>Public performance reporting does not meet best practice and citizens are poorly informed.</p>		
8	<p><b>Transparency</b></p> <p>Further information, could usefully be included on the website.</p> <p><b>Risk</b></p> <p>The organisation is perceived as not being open and transparent.</p>	<p>Management should consider what enhancements to publicly accessible information could be made.</p>	<p>Opportunities will be considered to continue to enhance the website.</p> <p>Chief Officer March 2019</p>
9	<p><b>Consideration of national reports</b></p> <p>National reports are not currently being considered by members of the Joint Board.</p> <p><b>Risk</b></p> <p>Findings and recommendations of national studies which are relevant to the Joint Board are not considered and taken forward.</p>	<p>The Joint Board should develop protocols to ensure that all national reports which are relevant to it are considered by members and any necessary action taken to address the recommendations of the report.</p>	<p>Arrangements will be established to ensure national reports are formally presented to the members of the Joint Board as appropriate. The remit of the Performance and Audit Sub-Committee will also be considered as part of this development.</p> <p>Chief Officer March 2019</p>
<b>Follow up of prior year recommendations</b>			
b/f	<p><b>Hospital acute services (set aside)</b></p> <p>Included within the total Joint Board expenditure of £467.469 million is £55.154 million 'set aside' costs for hospital acute services.</p> <p>The figure is, essentially an estimate, based on 2014/2015 activity levels for hospital inpatient and day case activity and provided by NHS National Services Scotland's Information Services Division.</p> <p><b>Risk</b></p> <p>In future years the sum set aside recorded in the annual</p>	<p>NHS Lanarkshire and the Joint Board should prioritise establishing revised processes for planning and performance management of delegated hospital functions and associated resources in 2017/18.</p>	<p><b>Agreed</b></p> <p>Work is ongoing to develop a more robust measurement of the use of hospital acute services.</p> <p>This development relies on the information from ISD on activity levels.</p> <p><b>Responsible Officer</b></p> <p>Chief Financial Officer in consultation with the NHS Lanarkshire Director of Finance</p> <p><b>Timing</b></p> <p>December 2017</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	accounts will not reflect actual hospital use.		<p><b>Audit Comments 2017/18:</b> The Joint Board has been working with NHS Lanarkshire during the year to develop a robust measurement of the use of hospital acute services. Work has progressed but is not yet complete. The Scottish Government consented to transitional arrangements being extended to 2017/18 so the accounting treatment applied within 2017/18 is in accordance with the guidance.</p>
b/f	<p><b>Budget monitoring</b></p> <p>During the year incomplete budget monitoring information was reported in respect of Health Care Services and it was not possible to reconcile budget/expenditure to the delegated budget for the Joint Board.</p> <p><b>Risk</b></p> <p>The Chief Financial Officer is not able to provide members with information sufficient to enable them to scrutinise and challenge performance effectively or consider in-year re-allocation resources to other service areas.</p>	<p>Financial information reporting processes from partners should be improved to ensure that the Chief Financial Officer is being provided with complete, relevant and timely financial information.</p>	<p><b>Agreed</b></p> <p>The financial monitoring arrangements continue to be refined to ensure the in-year financial reporting is accurate and complete and financial risks continue to be effectively managed.</p> <p>NHS Lanarkshire also recognise the value of providing a financial projection to 31 March and are progressing this.</p> <p>The Chief Financial Officer is developing a new financial reporting template for the Joint Board.</p> <p><b>Responsible Officer</b></p> <p>Chief Financial Officer in consultation with the NHS Lanarkshire Director of Finance and the South Lanarkshire Council Executive Director (Finance and Corporate Resources)</p> <p><b>Timing</b></p> <p>September 2017 to December 2017</p> <p><b>Audit Comments 2017/18:</b> Management has been refining budget monitoring arrangements throughout the year, in collaboration with its partner bodies.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
<b>Action complete</b>			
b/f	<p><b>Members training</b></p> <p>It is important that members understand the financial information presented in budget monitoring reports and are equipped with the knowledge and skills to enable them to effectively scrutinise and challenge.</p> <p><b>Risk</b></p> <p>Members do not have a sufficient understanding of information being presented to them to enable them to properly challenge and/or make decisions.</p>	<p>Members should be provided with specific financial training to help them discharge their financial responsibilities.</p>	<p><b>Agreed</b></p> <p>A programme is being developed to ensure the Joint Board members receive appropriate support to fulfil their responsibilities.</p> <p><b>Responsible Officer</b></p> <p>Chief Financial Officer</p> <p><b>Timing</b></p> <p>September 2017 to March 2018</p> <p><b>Audit Comments 2017/18:</b> Management has introduced a programme of development sessions to support members in their role.</p>
<b>Action complete</b>			
b/f	<p><b>Medium to long term financial planning</b></p> <p>The Joint Board has no financial plans in place beyond 2017/18.</p> <p><b>Risk</b></p> <p>In the absence of medium to long term financial planning the future financial risks facing Joint Board may not be clearly understood.</p>	<p>Management should prepare a 3-5 year rolling budget using what information is available and incorporating sensitivity analysis and scenario planning.</p>	<p><b>Agreed</b></p> <p>A medium to long term financial plan is being developed. This relies on the financial planning assumptions of each partner.</p> <p><b>Responsible Officer</b></p> <p>Chief Financial Officer</p> <p><b>Timing</b></p> <p>December 2017</p> <p><b>Audit Comments 2017/18:</b> The medium to long term plan is not yet in place but is in the process of being developed.</p> <p><b>Agreed action and timescale:</b></p> <p>The medium financial plan will be developed and reported to the Joint Board in advance of the 2019/2020 annual budget setting process. This will continue to rely on the financial planning assumptions of each partner.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			Chief Financial Officer March 2019
b/f	<p><b>Meetings</b></p> <p>Joint Board meetings are attended by in excess of thirty people. Extensive agendas include varied, and sometimes complex papers for discussion and decisions.</p> <p><b>Risk</b></p> <p>Loss of focus on strategic issues at Joint Board level.</p>	The Joint Board should review how it is organised to conduct its work and whether it could work more effectively through greater use of committees.	<p><b>Agreed</b></p> <p>Following the first year of operation, a review of the Joint Board arrangements will be undertaken to ensure business is conducted effectively.</p> <p><b>Responsible Officer</b></p> <p>Chief Officer</p> <p><b>Timing</b></p> <p>December 2017</p> <p><b>Audit Comments 2017/18:</b></p> <p>There are now name plates for each of the Joint Board members at the meetings. This ensures clarity over who sits on the Joint Board. At present key stakeholders attend Joint Board meetings and sit round the table however there is ongoing discussion on how meetings should be managed.</p> <p><b>Agreed action and timescale:</b></p> <p>An agreed programme of development sessions for the members of the Joint Board will be held throughout 2018/2019.</p>
			Chief Officer March 2019
b/f	<p><b>Internal Audit</b></p> <p>Protocols have not yet been developed to provide a framework within which the internal audit service is provided.</p> <p><b>Risk</b></p> <p>Lack of clarity over responsibilities, planning and</p>	The Joint Board should review internal audit arrangements and ensure that the internal audit work is deliverable within the required timescales.	<p><b>Agreed</b></p> <p>Internal audit protocols will be finalised and presented to the Audit and Performance Committee.</p> <p><b>Responsible Officer</b></p> <p>South Lanarkshire Council Audit Manager and NHS</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	conducting work and the reporting of results.		Lanarkshire Chief Internal Auditor  <b>Timing</b> December 2017  <b>Audit Comments 2017/18:</b> Protocols now in place for how the Internal Audit service will be delivered. Internal Audit Charter taken to the Performance and Audit Committee Feb 2018.  <b>Action complete</b>
b/f	<p data-bbox="256 909 360 938"><b>Website</b></p> <p data-bbox="256 954 624 1010">The Joint Board does not have its own website.</p> <p data-bbox="256 1077 316 1106"><b>Risk</b></p> <p data-bbox="256 1122 600 1211">Service users, members and staff have difficulty in accessing information.</p> <p data-bbox="256 1234 608 1323">The Joint Board's status as leader in health and social care is diluted.</p>	The Joint Board should consider whether a dedicated website would afford interested citizens and stakeholders better access to information.	<p data-bbox="1054 909 1150 938"><b>Agreed</b></p> <p data-bbox="1054 954 1366 1010">The Joint Board website is already being developed.</p> <p data-bbox="1054 1032 1310 1061"><b>Responsible Officer</b></p> <p data-bbox="1054 1077 1342 1106">Communications Officer</p> <p data-bbox="1054 1122 1145 1151"><b>Timing</b></p> <p data-bbox="1054 1167 1246 1196">December 2017</p> <p data-bbox="1054 1263 1431 1352"><b>Audit Comments 2017/18:</b> The website was launched December 2018.</p> <p data-bbox="1054 1386 1254 1415"><b>Action complete</b></p>
b/f	<p data-bbox="256 1435 504 1464"><b>Public accessibility</b></p> <p data-bbox="256 1480 584 1659">A number of public sector organisations broadcast meetings live on the web and/or make recordings of meetings available via their websites.</p> <p data-bbox="256 1727 316 1756"><b>Risk</b></p> <p data-bbox="256 1771 584 1827">The Joint Board is seen as remote from its stakeholders.</p>	As part of the commitment to openness and transparency the Joint Board should consider whether greater public engagement could be achieved through promotion of public attendance at meetings and/or the use of technology to reach a wider audience.	<p data-bbox="1054 1435 1150 1464"><b>Agreed</b></p> <p data-bbox="1054 1480 1406 1570">Consideration will be given to further developing effective engagement with the public.</p> <p data-bbox="1054 1592 1310 1621"><b>Responsible Officer</b></p> <p data-bbox="1054 1637 1206 1666">Chief Officer</p> <p data-bbox="1054 1682 1145 1711"><b>Timing</b></p> <p data-bbox="1054 1727 1198 1756">March 2018</p> <p data-bbox="1054 1823 1431 2092"><b>Audit Comments 2017/18:</b> With the exception of the introduction of the website, which includes the agenda notice for Joint Board meetings, there has been no change to the public accessibility arrangements for meetings.</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
			<p><b>Agreed action and timescale:</b></p> <p>Opportunities to further enhance the public accessibility arrangements for meetings will be considered.</p> <p>Chief Officer March 2019</p>
b/f	<p><b>Best Value</b></p> <p>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 the economy, efficiency, effectiveness and equality in service provision.</p> <p><b>Risk</b></p> <p>Opportunities for improvement through Best Value review are missed.</p>	<p>Mechanisms and reporting arrangements should be implemented to provide assurance, to the Chief Officer and the Joint Board, that partners have arrangements in place to demonstrate that they are delivering Best Value.</p>	<p><b>Agreed</b></p> <p>A Best Value Framework will be developed which demonstrates that each partner is securing economy, efficiency, effectiveness and equality in service provision.</p> <p><b>Responsible Officer</b></p> <p>Chief Officer</p> <p><b>Timing</b></p> <p>March 2018</p> <p><b>Audit Comments 2017/18:</b></p> <p>There is currently no formal best value framework in place to demonstrate that the Joint Board is meeting its statutory duty to deliver best value. The Chief Financial Officer plans to undertake an exercise to document the arrangements in place to demonstrate that best value is being achieved.</p> <p><b>Agreed action and timescale:</b></p> <p>A mechanism to demonstrate that the Joint Board is meeting its Best Value duties will be established.</p> <p>Chief Financial Officer March 2019</p>
b/f	<p><b>Annual Performance Report</b></p> <p>The statutory publication deadline for the Annual Performance Report was missed for 2016/17.</p>	<p>Arrangements should be put in place to ensure that the Joint Board meets its statutory reporting responsibilities in future years.</p>	<p><b>Agreed</b></p> <p>A timeline will be agreed to ensure the Annual Performance Report is</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p><b>Risk</b></p> <p>Failure to achieve statutory deadlines.</p>		<p>published by 31 July each year.</p> <p><b>Responsible Officer</b></p> <p>Head of Commissioning and Performance</p> <p><b>Timing</b></p> <p>December 2017</p> <p><b>Audit Comments 2017/18:</b></p> <p>The Board has made significant progress in drafting and agreeing the annual performance report for 2017/18 and is well sighted and on-target to ensure that it is published by 31 July 2018.</p> <p><b>Action complete</b></p>

# Appendix 2

## Significant audit 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>Financial statement issues and risks</b>		
<p>1 Risk of management override of controls</p> <p>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.</p>	<p>Detailed testing of journal entries.</p> <p>Service auditor assurances will be obtained from the auditors of NHS Lanarkshire and South Lanarkshire Council over the completeness, accuracy and allocation of the income and expenditure.</p>	<p>Assurances obtained from service auditors over the adequacy of controls in place within the partner bodies. No issues identified which would impact on the integrity of the Joint Board financial statements identified.</p>
<p>2 <b>Risk of fraud over expenditure</b></p> <p>Code of Audit Practice expands the ISA assumption on fraud over income to aspects of expenditure.</p> <p>The expenditure of the JOINT BOARD is processed through the financial systems of NHS Lanarkshire and South Lanarkshire Council. There is a risk that non-Joint Board related expenditure is incorrectly charged to the Joint Board account codes.</p>	<p>Obtain assurances from the auditors of NHS Lanarkshire and South Lanarkshire Council over the accuracy, completeness and appropriate allocation of the Joint Board ledger entries.</p>	<p>Assurances obtained from service auditors over the adequacy of controls in place within the partner bodies. No issues identified which would impact on the integrity of the Joint Board financial statements identified.</p>
<p>3 <b>Reporting timetable</b></p> <p>There are a number of reporting deadlines which must be met to enable the annual accounts to be prepared, agreed with partner organisations and submitted for audit. In addition, the Joint Board is required to publish its Annual Performance Report by 31 July.</p> <p>There is a risk that reporting deadlines are not met.</p>	<p>Engage with officers prior to the accounts being prepared to ensure that arrangements are in place to meet all agreed timescales.</p>	<p>Engaged with Chief Financial Officer during the year to ensure there was a clearly understood reporting timetable. Accounts delivered to audit in accordance with the timetable.</p> <p>During the course of the year the Joint Board has been considering drafts of the 2017/18 Annual Performance Report to ensure the deadline of the 31<sup>st</sup> July was met.</p>
<p>4 <b>Hospital acute services (set aside)</b></p> <p>The “set aside” budget is the Integration Joint Board’s share of the budget for delegated</p>	<p>Engage with officers to ensure that a robust mechanism has been developed to quantify South Lanarkshire Integration</p>	<p>The Joint Board has been working with NHS Lanarkshire to determine an approach to quantifying activity and cost for</p>

Audit risk	Assurance procedure	Results and conclusions
<p>acute services provided by large hospitals on behalf of the Joint Board.</p> <p>The budget and actual expenditure reported for the “set aside” were equal in 2016/17: the amount set aside, was based on 2014/15 activity levels and provided by NHS National Services Scotland’s Information Services Division.</p> <p>There is a risk that the income and expenditure of the Joint Board is misstated due to the lack of current activity information.</p>	<p>Joint Board’s set aside income and expenditure.</p> <p>Monitor Scottish Government guidance on the treatment of set aside in the 2017/18 financial statements to establish whether the financial statements are compliant.</p>	<p>the set-aside activity. The Scottish Government issued guidance in late 2017/18 which permitted joint boards and health boards to continue with transitional arrangements which was to take 2015/16 activity data compiled by ISD and update this for 2017/18 costs. This is the approach that has been taken in 2017/18.</p>

### Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>5 <b>Demonstrating the delivery of Best Value</b></p> <p>The statutory duty of Best Value applies to all public bodies in Scotland. There is a risk that, the Joint Board is unable to demonstrate that it is meeting its statutory duty to deliver Best Value.</p>	<p>Monitor guidance on the Integration Joint Board’s statutory duty on best value.</p> <p>Engage with officers to ensure that the Board has appropriate arrangements in place to demonstrate that it is meeting its statutory duty on delivering Best Value.</p> <p>A position statement will be reported in the Annual Audit Report.</p>	<p>There is currently no formal approach in place to demonstrate the delivery of best value.</p>
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# Appendix 3

## Summary of national performance reports 2017/18



		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	Scotland's colleges 2017
		Jul	NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

### Reports relevant to Integration Joint Boards

[Self-directed support: 2017 progress report](#) – August 2017

[NHS in Scotland 2017](#) – October 2017

# South Lanarkshire Integration Joint Board

## 2017/18 Annual Audit Report

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