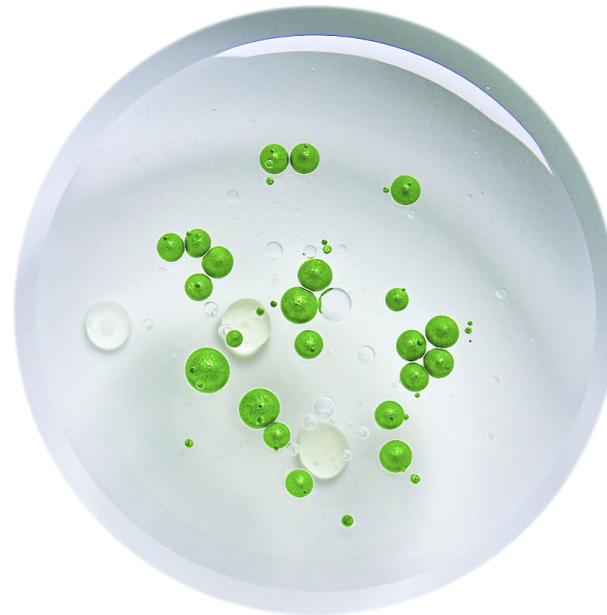


**Deloitte.**



**South Ayrshire Health and Social Care Partnership**

Final Report to the Performance and Audit Committee and the Controller of  
Audit on the 2016/17 audit

September 2017

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# Director 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 Performance and Audit Committee for the 2016/17 audit.

As detailed in our plan presented to the Audit Committee in April 2017, the new Code of Audit Practice, which came into force for the 2016/17, audits sets out our responsibilities under core audit and wider scope requirements. A reminder of the requirements is set out below.

- *Opinion on the financial statements and regularity*
- *National performance audits and Best Value audits*



- *Opinion on management commentaries, remuneration reports and governance statements*

- *Public reporting and audit findings*
- *Wider scope reporting*

# Director introduction (continued)

## The key messages in this report (continued)

I would like to draw your attention to the key messages of this paper:

### Statutory audit

#### **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 10.

We have identified no audit adjustments from our procedures to date

Based on our audit work, we have issued an unmodified audit opinion.

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#### **Status of the audit**

The audit is complete.

# Director introduction (continued)

## The key messages in this report (continued)

### Best Practice

#### Overall conclusion

- We have reviewed the management commentary with reference to the statutory guidance set out in Regulation 8(2) of The Local Authority Accounts (Scotland) Regulation 2014 and Finance circular 5/2015 The Local Authority Accounts (Scotland) Regulations 2014 – management commentary. We have confirmed that the management commentary complies with the statutory guidance requiring local authorities to include in the management commentary those matters which companies are required to disclose in a strategic report, with some modification to interpret for local authorities.
- As a new requirement in 2016/17, we are required to provide an opinion on whether:
  - information given in the management commentary is consistent with the financial statements;
  - the management commentary has been prepared in accordance with the statutory guidance;
  - information given in the annual governance statement is consistent with the financial statement; and
  - the annual governance statement has been prepared in accordance with proper practice.
- Based on our audit work, we have issued unmodified opinions on the above.
- In addition to the opinion, we have read the management commentary and confirmed that the information contained is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
- We have also audited the auditable parts of the remuneration report and confirmed that it has been prepared in accordance with the Regulation 8(2) of *The Local Authority Accounts (Scotland) Regulation 2014* and the *Additional guidance on accounting for the integration of health and social care 2016/17*.

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### Financial Sustainability

Financial balance was achieved in the year. South Ayrshire IJB was £1.3 million underspent against a budget of £164.1 million.

In November 2016, forecasts for the IJB were predicting a £0.3 million overspend. A recovery plan was implemented to ensure it would meet its budget. At year-end the savings target was achieved and costs in the later part of the year were lower than expected based on the experience in the earlier months of the year which resulted in an underspend in the year.

The IJB has a four year Strategic Plan on which the yearly budget is based. From our review of the IJB we recommend that the IJB implements a medium term financial strategy to allow for a smoother planning process and early identification of potential issues. As part of this process we would recommend that the IJB review the demand drivers and how they impact on the future costs and to identify the relevant mitigating actions.

In both the current and prior years, mid-year budget reporting forecast an overspend and recovery plans were developed to address this. In both years financial balance was achieved, but the financial pressures on the IJB will remain going forward.

---

#### Financial Management

From our review of Internal Audit Reports we note there were no findings of significant concern.

Budget setting reflects the delivery of services by the 2 parent parties and takes into consideration a number of factors including: legislative requirements, additional funding from the Scottish Government and cost pressures such as living wage requirements.

As at 30 June 2016, a potential overspend of £0.9 million was forecast. A financial plan was implemented to achieve financial balance. As at November, a £0.3 million overspend was forecast and a recovery plan was discussed. At year-end there was an underspend of £1.3 million. This underspend is 0.8% of budget, indicating that overall forecasting is reasonably accurate.

The 2017/18 approved budget includes a detailed breakdown of unavoidable cost pressures and lists potential areas of cost reduction which can be utilised if required as mitigating actions

The Finance Team have a number of years' experience between them, both in Health and Local Authority and are appropriately qualified. We also note that the Chief Finance Officer is due to retire in mid September 2017 and a replacement has been appointed.

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### **Governance and transparency**

From our review, the Annual Governance Statement was consistent with the financial statements and had been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and the requirements under the Delivering Good Governance in Local Government: Framework (2016).

Evidence has been seen of the Performance and Audit Committee's review of key aspects of the Boards activities and performance. We would also consider there to be sufficient diversity within the organisations to provide effective balance and scrutiny in leadership. However from our review of minutes of the Board meetings we have noted the level of challenge and scrutiny of reports is not reflected in the minutes.

We have reviewed the work of internal audit and found it to be appropriate with no findings relating to matters we identified as significant.

Turnaround time for Financial Reports from month end until it is reviewed by the Board is around one month for mid-year reports and for Performance Reports it takes around two months. While this is in line with other Integration Joint Boards, we would recommend that the timeliness of the performance reporting process could be improved. We note the report are of good quality containing explanations for any variances to budget or target.

#### **Value for money**

The IJB self-evaluates through Performance Reports, which are prepared bi-annually and are reviewed by the Performance and Audit Committee. From review of the 2015/16 annual performance report, the IJB can be seen to be improving overall.

The September 2016 Performance Report across the 96 indicators shows that 75% have no cause for concern, 14% have some cause for concern, 9% present a higher cause for concern and 2% are not applicable. Performance indicators analysed in the report include national indicators along with indicators identified by the IJB to assist the Board in achieving its Strategic Plan.

Financial Monitoring reports review savings plans and detail progress and any remedial actions which are to be taken.

**Pat Kenny**  
Audit Director

# Responsibilities of the Performance and Audit Committee

## Helping you fulfil your responsibilities

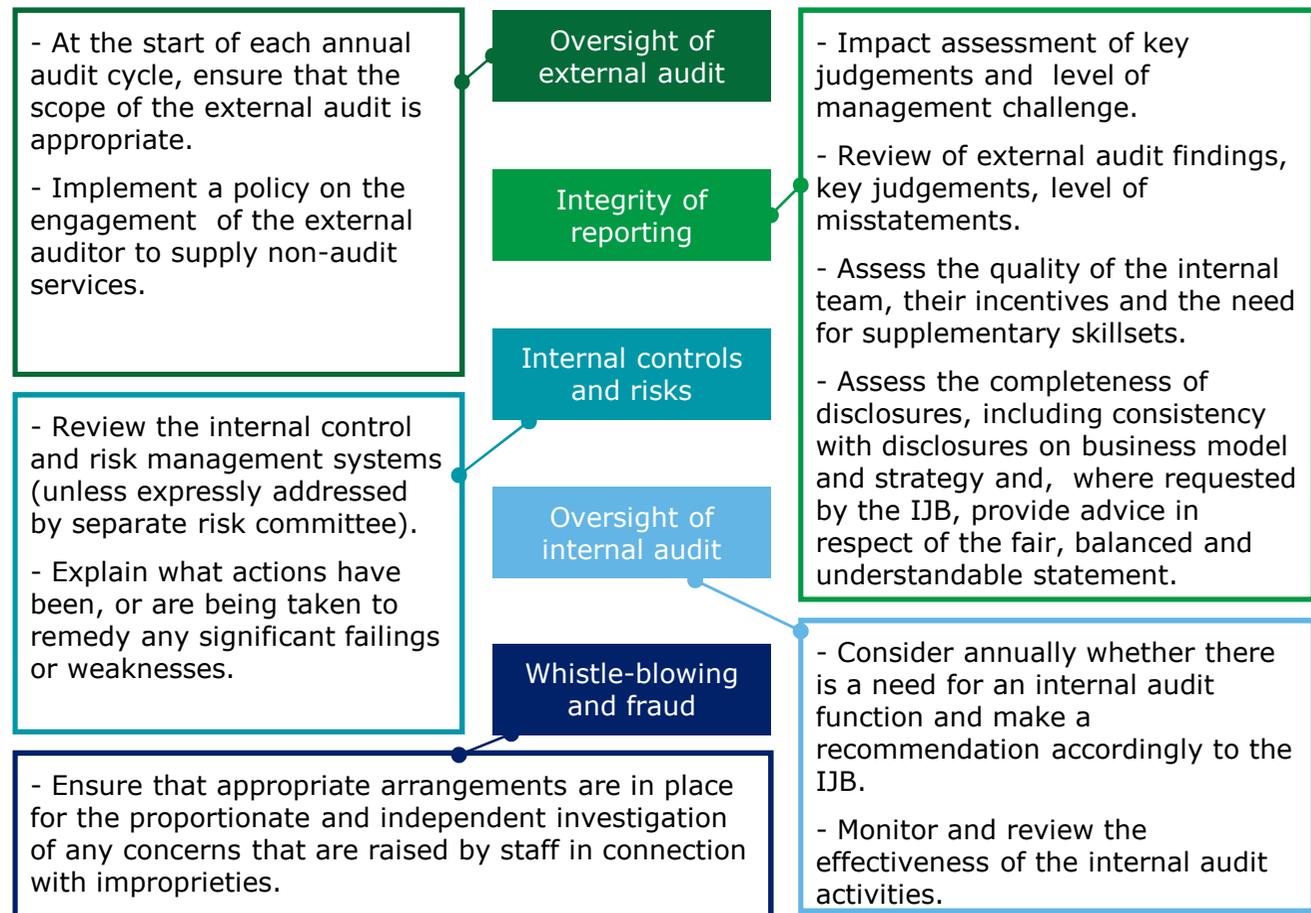
The primary purpose of the Auditor's interaction with the Performance and Audit Committee:

- Clearly communicate the planned scope of the financial statements audit
- Provide timely observations arising from the audit that are significant and relevant to the Performance and Audit Committee's responsibility to oversee the financial reporting process
- In addition, we seek to provide the Performance and Audit Committee with additional information to help them fulfil their broader responsibilities

We use this symbol throughout this document to highlight areas of our audit where the Performance and Audit Committee need to focus their attentions.



As a result of regulatory change in recent years, the role of the Performance and Audit Committee has significantly expanded. We set out here a summary of the core areas of Performance and Audit Committee responsibility to provide a reference in respect of these broader responsibilities and highlight throughout the document where there is key information which helps the Audit Committee in fulfilling its remit.



# 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, being:

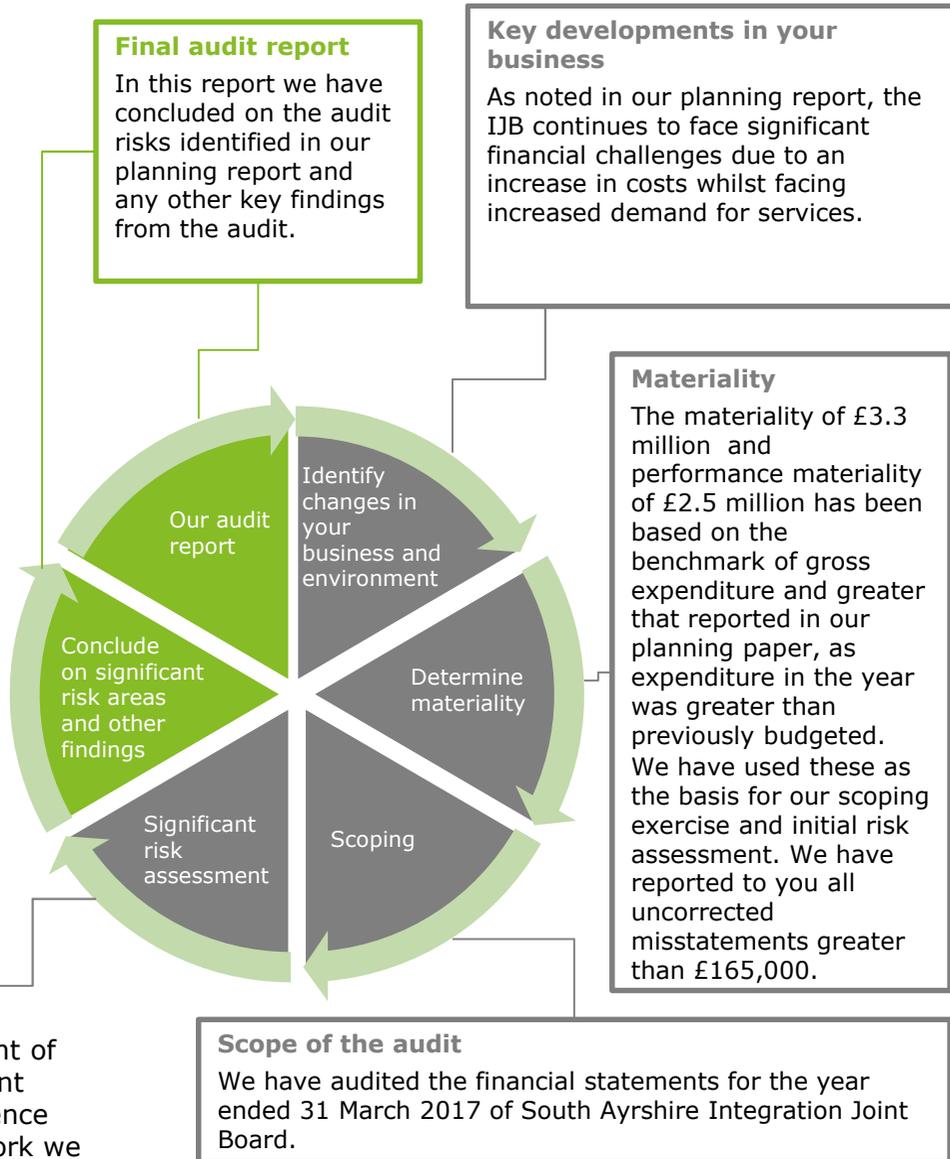
- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

## Significant risks

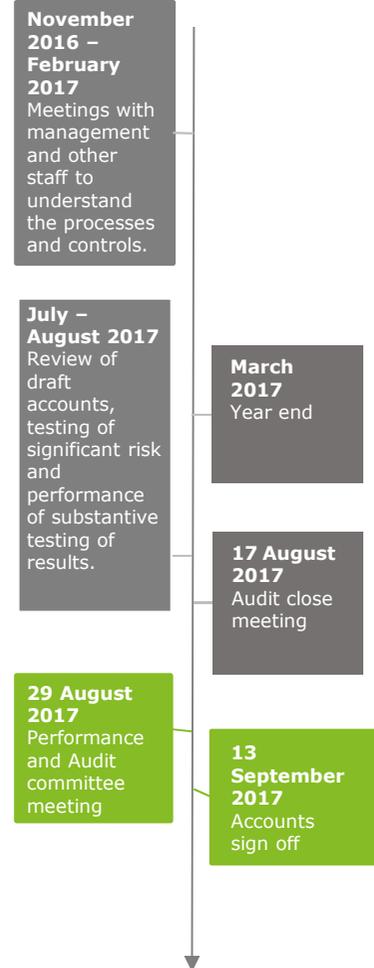
Our risk assessment process is a continuous cycle throughout the year. Page 10 provides a summary of our risk assessment of your significant risks.

## Quality and Independence

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



## Timeline 2017



# 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		No issues noted	11
Management override of controls			D+I	Satisfactory		No issues noted	12



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)

## 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 revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.

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

### Our Audit Approach

We have performed the following:

- Tested income to ensure that the correct contributions have been input and received in accordance with those agreed as part of the budget process;
- Tested the reconciliations performed by the IJB at 31 March 2017 to confirm all income is correctly recorded in the ledger;
- Compared income recorded with expectations, based on amounts agreed as part of budget process;
- Confirmed the reconciliations performed during 2016/17 have been reviewed on a regular basis; and
- Assessed management's controls around recognition of income.



### Deloitte view

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

# Significant risks (continued)

## Management override of controls

### Risk identified

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.



### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that the Board's results throughout the year were projecting an over spend position and the actual outturn excluding additional non-recurring funding was an underspend of £1.3m, which was 0.8% of expenditure therefore suggesting that no Management override of controls was taking place. In addition, senior management's remuneration is not tied to particular financial results of the Board.

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

### 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 have reconciled the transactions relevant to the Board to the South Ayrshire Council and NHS Ayrshire and Arran ledgers. We used Deloitte analytic tools to test a sample of journals, based upon identification of

items of potential audit interest. Our analysis covered all manual journals and transactions posted in the year.

### 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 is to be completed.

### Significant transactions

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

### Deloitte view

- We have not identified any significant bias in the key judgements made by management to date.
- The control environment is appropriate for the size and complexity of the Board.

# Your annual report

We welcome this opportunity to set out for the Performance and Audit Committee our observations on the annual report. 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.

	Disclosure in Annual Report	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 also includes KPIs	<p>We have assessed whether the management commentary has been prepared in accordance with the statutory guidance. No exceptions noted.</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>We recommend the inclusion of more performance indicators both financial and non-financial to give the users a better understanding of the IJB's performance in the year</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior Councillors and Senior Employees of the Board.	We have audited the disclosures of remuneration and pension benefit, pay bands, and exit packages and confirmed that they have been properly prepared in accordance with the regulations.
Annual Governance Statement	The Annual Governance Statement reports that South Ayrshire Integration Joint Board 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 accounts direction. No exceptions noted.

# Wider scope requirements

## 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



- 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

### Deloitte response



We have monitored the IJB's actions in respect of its short, medium and longer term financial plans to assess whether short term financial balance can be achieved, whether there is a long-term (5-10 years) financial strategy and if investment is effective.

We have also assessed the IJB's performance in undertaking transformational change and achievement of savings targets.

# Wider scope requirements (continued)

## Financial sustainability (continued)

### Revenue budget

The **2016/17** budget was approved by the Board on the 21 October 2016. The budgeted expenditure for the year was £164.1 million. Actual expenditure in the year was £162.8 million which is an underspend of £1.3 million. This is 0.8% of budget. This underspend is being carried in reserves by South Ayrshire Council on the IJB's behalf.

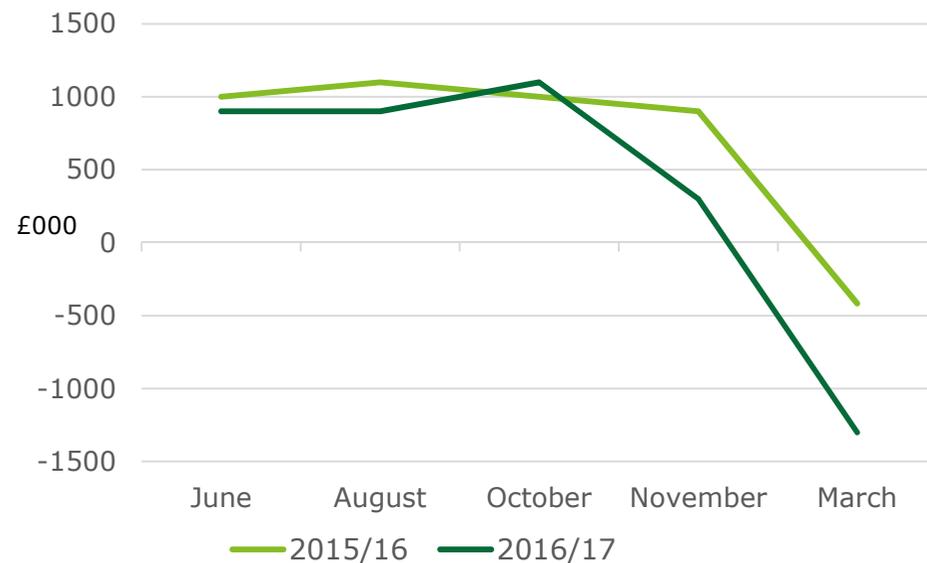
The IJB creates a yearly budget, which is approved once the respective budgets of South Ayrshire Council and NHS AA are approved.

From our financial sustainability work we note that the IJB has a medium term Strategic Plan, which spans 4 years, 2016-2019. However there is no longer term financial planning. We have recommended on page 29 that the IJB creates a financial strategy which would assist with financial planning and should include sensitivity analysis and scenario planning.

In the year the IJB was forecasting an overspend. A recovery plan was presented and approved by the Board in December, which identified the mitigating actions required to bring the budget on line. It is worth noting that the October Financial Monitoring Report was also presented at this meeting, as from the graph above from October the projected overspend starts to decrease.

In 2015/16 the IJB adopted a similar approach and a recovery plan was approved by the Board in October 2015.

Projected overspend



### Future Demand

The IJB's 2017/18 recognises changes in demand through identification of unavoidable cost pressures. The budget provides a detailed list of unavoidable cost pressures which have been identified for the year. To mitigate against these unavoidable costs, the budget also lists potential areas of cost reductions that could be implemented in the year. It would be useful if the cost reductions identified were more detailed and it also distinguished between recurring and non-recurring

# Wider scope requirements (continued)

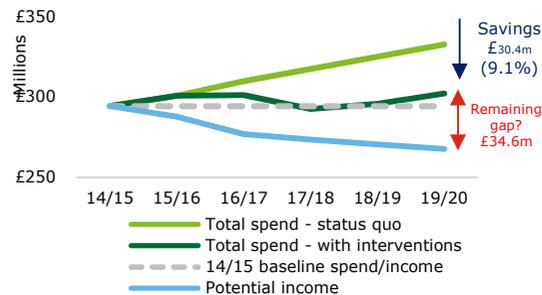
## Financial sustainability (continued)

### Case Studies

Deloitte has been involved in cost reduction work with a number of NHS bodies. These are areas we have found other entities have benefited looking at, but we have not performed work to identify whether SA IJB has these issues. Therefore the IJB could consider them as opportunities for improvement.

#### Early Intervention

A case study was carried out on an organisation which had an early intervention programme and assisted living service within local communities. We estimated the benefits that might be possible from the programme, looking forward at the financial position on a “do nothing” baseline and then applying assumptions around reductions in activity based on best practice evidence available. We were then able to advise on the make up of the programme and make recommendations on the best approach to delivering the projects and on the governance structures and resourcing required to enable the programme to achieve its ambitions.



From this work we estimated that the programme could deliver £30m in savings as illustrated in the following diagram, which should at the same time improve outcomes.

We recommend that the Board consider applying a similar analysis to help identify how best to target its work on interventions and to deliver better outcomes from the new pooled budgets.

#### Agency Cost Reduction

We undertook a review of nurse rostering practices for an NHS client with the aim of reducing premium agency use as well as bank expenditure.

This involved a ward by ward review of rostering protocols working with all lead nurses which highlighted a range of issues for the Board to address, including how best to use data from rostering systems, issues associated with ward performance statistics as well as opportunities to tighten up internal cost controls.

The work was a delivered by a team with both nursing and operational management experience to make sure our recommendations and insight were relevant and bespoke to the NHS.

# Wider scope requirements (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



- Systems of internal control
- Budgeting process and monitoring
- Financial capacity and skills
- Arrangements for the prevention and detection of fraud

The final outturn for 2016/17 was an in-year underspend of £1.3 million, this has been carried forward as reserves by South Ayrshire Council on behalf of the IJB.

### Deloitte response



We have reviewed the budget and monitoring reporting to the IJB during the year to assess whether financial management and budget setting is effective.

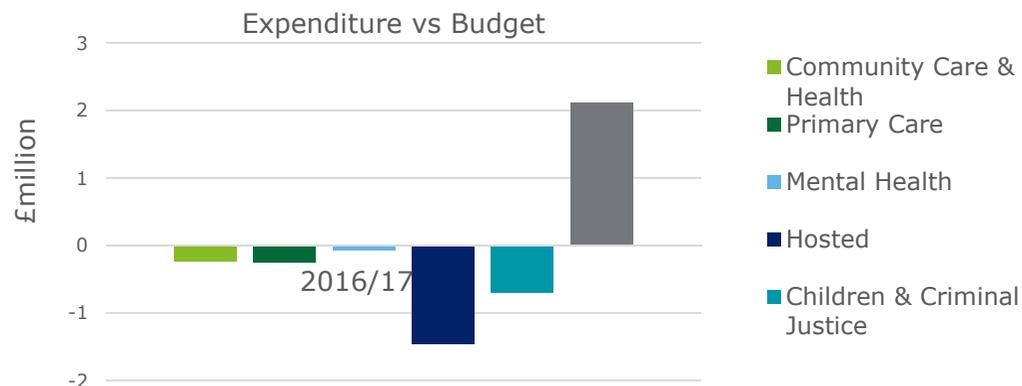
Our fraud responsibilities and representations are detailed on pages 29.

Management Reporting: Actual Expenditure Compared to Budget	2016/17 Budget £'000	2016/17 Actual £'000	Variance £'000
Community Care and Health	48,993	48,757	(236)
Primary Care	39,234	38,977	257
Mental Health Services	25,498	25,430	68
Hosted Services	22,495	21,038	1,457
Children and Criminal Justice Services	22,145	21,475	670
Support Services	2,697	4,805	(2,108)
<b>Partnership Total</b>	<b>164,104</b>	<b>162,825</b>	<b>1,279</b>
Adjust for Partnership charges and acute hospitals	42,934	42,934	
<b>IJB total (adjusted for partnership charges)</b>	<b>207,038</b>	<b>205,759</b>	<b>1,279</b>

# Wider scope requirements (continued)

## Financial management (continued)

Variiances were reported to the Board throughout the year, with a final report being presented on 13 June 2017. The overall variance is a combination of under and overspends on expenditure. The expenditure variances can be analysed further as follows:



- **Community Care and Health** reported an underspend of £0.2 million this is due to there being a shortfall of appropriate care home places, resulting in an under-utilisation of the one-off funding provided. Additionally there were a number of vacancies in community nursing.
- **Primary Care** reported an underspend of £0.26 million, this is a relatively small difference against a budget of £39.2 million, as at year end the Prescribing budget is realigned to match reported expenditure, as Health must manage the costs of Primary Care prescribing across the Health Board
- **Mental Health Services** reported an underspend of £0.07 million arising due to a number of unfilled vacancies.
- **Hosted Services** reported an underspend of £1.46 million due to various initiatives being implemented in AHPs (Allied Health Professionals). A large cash releasing efficiency scheme has been implemented for the short-term by creating delays in recruitment and a change in skills mix.
- **Children and Criminal Justice Services** reported an underspend of £0.67 million due to a number of changes to projected outcomes. This is a result of the nature and cost of placements changing.
- **Support Services** reported an overspend of £2.1 million mainly related to the cost reduction target and the cost of the Living Wage. The cost reduction target was managed on a non-recurring basis to allow managers to develop recurring solutions. The overspend reported against the cost reduction target is offset by the delivery of an underspend on AHPs. The total anticipated cost of the Living Wage from 1 October 2016 was within the original funding agreed from South Ayrshire Council. However, the budgets agreed by the IJB for Social Care in June 2016 assumed a lower proposed rate for providers at that time therefore a proportion of this funding was utilised to address other budget pressures, resulting in the overspend now highlighted as a result of having to subsequently increase proposed rates.

# Wider scope requirements (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
- Scrutiny, challenge and transparency on decision making and financial and performance reports
- Quality and timeliness of financial and performance reporting

#### Deloitte response



We have reviewed the financial and performance reporting to the Board during the year as well as minutes of the 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.

Evidence has been identified of the Performance and Audit Committee's review of key aspects of the Boards activities and performance.

The membership of the Board is split into; members nominated (i.e. Councillors), professional advisors (i.e. Nurses, Chief Officer, Chief Finance Officer, Public Health Consultants), stakeholder members which cover representatives of both sides and additional local members. As such, we would consider there to be sufficient diversity to provide effective balance and scrutiny in leadership.

Our conclusion is that appropriate Governance arrangements exist however we recommend the minutes better reflect the scrutiny and challenge by the Board when reports are presented, see page 29 for recommendation. Reporting in this regard has been on a timely basis, although we would recommend, where possible for reporting to be earlier for performance reviews.

# Wider scope requirements (continued)

## Governance and transparency (continued)

### Internal Audit

South Ayrshire Council's Internal Audit team provide the Internal Audit function for South Ayrshire IJB.

In the year we note there was one Internal Audit report issued which related to a review on Governance. From our review we note there were no high risk findings, 7 medium risk and 1 low risk finding. We have reviewed the follow up report issued in 2017 and note that 3 of the findings have since been completed. However an extension has been requested on the timescale as due to significant levels of vacancies recommended actions were not able to be completed.

### Leadership

We note there were no significant changes in leadership in the year. In June 2017 there were 4 new Councillors appointed to be Members of the IJB.

Additionally in September 2017 the Chief Finance Officer, Sharon Lindsay is retiring from her role, and her replacement will take on the role.

### Deloitte view

We confirm that we have reviewed the governance arrangements and have identified no issues in this regard.

- From our review of the internal audit plan for 2016/17 and audit reports, we are satisfied that there are appropriate systems of internal control in place and no significant weaknesses have been identified. Appropriate disclosure has been made in the annual governance statement of issues identified from the work of internal audit and action being taken.
- We are comfortable with the fraud arrangements in place and confirm we have not been made aware of any financially significant frauds in the year.
- We have identified no issues with regard to the arrangements for maintaining standards of conduct and the prevention and detection of corruption.
- The Board and its Committees met regularly throughout the year to oversee governance and performance monitoring.
- From our review of the minutes of the meetings, we note there is a lack of documentation of the scrutiny and challenge of the reports which are presented, this has been raised as a recommendation in page 29. Challenge and scrutiny of reports is a key function of the governance arrangements.

# Wider scope requirements (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



We have gained an understanding of the IJB's self-evaluation arrangements to assess how it demonstrates value for money in the use of resources and the linkage between money spent and outputs and outcomes delivered.

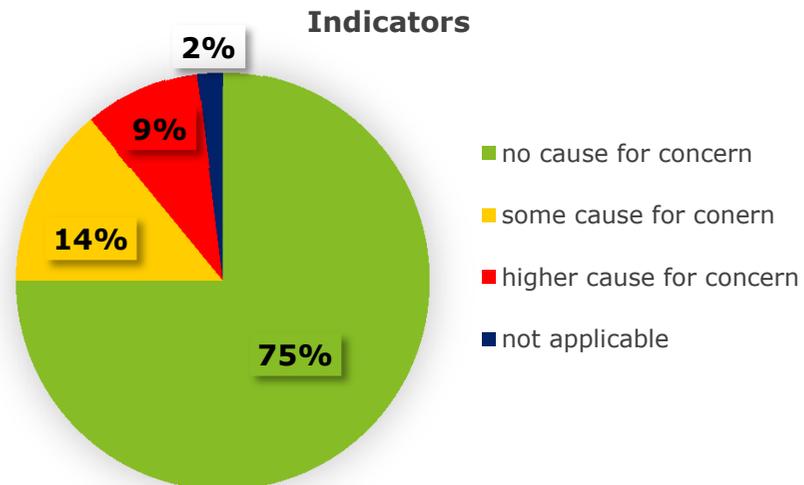
We have also consider the arrangements the IJB has in place to monitor how it is achieving its targets and addressing areas of poor performance.

Although this continues to be a challenging area for the Board, overall we have concluded that the board has reasonable arrangement for securing Best Value and continuous improvement and for ensuring financial targets are met.

South Ayrshire IJB prepares an Annual Performance Report. Review of the 2015/16 report shows there to be improvement compared to prior years.

The Performance and Audit Committee review performance bi-annually against a number of performance indicators.

In its September 2016 performance across the 96 indicators 75% had no cause for concern, 14% had some cause for concern, 9% has higher cause for concern and 2% were not applicable.



# 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 Performance and Audit Committee and 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 Board.

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.

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

## The scope of our work

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

We described the scope of our work in our audit plan and the supplementary "Briefing on audit matters" which has been circulated separately.

This report has been prepared for the Performance and Audit Committee and 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.

*Deloitte LLP*

**Deloitte LLP**  
Glasgow  
13 September 2017

# Technical update



# National performance reports

## Summary of reports issued over the past year

### **How councils work (HCW) – Roles and working relationships in Councils: Are you still getting it right?**

Published November 2016

#### **Headline messages**

The Accounts Commission revisits the themes in its 2010 HCW report on roles and working relationships. It highlights issues that are important to the governance of Councils in the current climate.

The messages highlighted in this report centre on the main themes of the original HCW of:

- clear roles and responsibilities and arrangements for governance that are up to date
- effective working relationships, with councillors and officers demonstrating appropriate behaviours
- councillors having the skills and tools to carry out their complex and evolving role

#### **Impact on South Ayrshire IJB**

The IJB should consider whether this report and the checklists, although produced for councils, provide relevant guidance for its Members in their difficult and challenging role. It may also help Members to consider their current governance arrangements and make any necessary changes, including their preparations for the new intake of councillors following the May 2017 local government election.

### **Local Government in Scotland: Financial Overview 2015/16**

Published November 2016

#### **Headline messages**

Councils have remained within their overall budgets, increased their reserves slightly and reduced their debt in 2015/16. Each Council has its own particular challenges but all Councils face financial shortfalls requiring further savings or using reserves. They need to change the way they work if they are to make the savings needed.

#### **Impact on South Ayrshire IJB**

Throughout the report, Audit Scotland identify questions that IJB members may wish to consider to help them better understand the Council's financial position, given its importance as one of the two funding bodies for the IJB.

# National performance reports (continued)

## Summary of reports issued over the past year (continued)

### Local Government in Scotland: Performance and Challenges 2017

Published March 2017

#### Headline messages

Councils overall have maintained or improved their performance in the face of a long-term decline in Scottish Government real term funding and continued increasing pressures on services. However, public satisfaction is declining and complaints are increasing. Looking ahead, they need to better involve their communities in service design and delivery.

There are wide variations between Councils. Some have grasped the nettle in finding new ways to provide services more efficiently. Others have been slower off the mark. Councils have made savings by cutting jobs but half of them still don't have organisation-wide workforce plans.

#### Impact on South Ayrshire IJB

The report was focused on Councils but also makes general recommendations on good practice (copied here for reference), that the IJB may find worth considering when setting priorities and budgets for future periods, where they are not already part of their current procedures.

#### Recommendations

##### IJBs should:

- Set **clear priorities** supported by **long-term strategies** and **medium-term plans** covering finances, services, performance and workforce. These plans should inform all IJB decision-making, service redesign, savings and investment decisions.
- Ensure that **budgets are clearly linked** to their medium-term financial plans and long-term financial strategies. Budgets should be revised to reflect true spending levels and patterns. This requires good financial management and real-time information to ensure spending is accurately forecast and monitored within the year.
- Have an **organisation-wide workforce plan** to ensure the IJB has the people and skills to manage change and deliver services in the future.
- Ensure **workforce data** allows thorough analysis of changes to the workforce at an organisation-wide and departmental level. This will allow IJBs to better assess the opportunities and risks in staff changes.
- Thoroughly **evaluate all options for change and service redesign**, including options for investing to save, and monitor the impact of change on IJB priorities and desired outcomes
- **Support communities** to develop their ability to fully participate in setting IJB priorities and making decisions about service redesign and use of resources.
- Ensure **councillors** get support to develop the right **skills and knowledge** to fulfil their complex and evolving roles
- Ensure there is clear **public reporting of performance** linked to IJB priorities to help communities gauge improvements and understand reduced performance in lower priority areas.
- Continue to work to understand the **reasons for variations in unit costs and performance**, and **collaborate** to identify and adopt good practice for each other.

# National performance reports (continued)

## Summary of reports issued over the past year (continued)

### **NHS Scotland 2016**

Published October 2016

#### **Headline messages**

A combination of increasing costs, staffing pressures and unprecedented savings targets mean that Scotland's NHS boards are finding it difficult to balance demand for hospital care with investing in community-based services to meet future need.

#### **Impact on South Ayrshire IJB**

The IJB should continue to take responsibility for changing and improving services in their local area, working with relevant partner organisations.

They should also develop long-term workforce plans (more than 5 years) to address problems with recruitment, retention and succession planning and to ensure high quality care.

Finally, they should work with the public about the need for change in how they access, use and receive services and to take more responsibility for looking after their own health and managing their long-term conditions.

### **Scotland's NHS workforce**

Published February 2017

#### **Headline messages**

Audit Scotland has pulled together published statistics on Scotland's NHS workforce in a new data briefing. The document sets out the challenges being explored by the public spending watchdog in a new two part audit of the NHS workforce. Audit Scotland will publish its first report, focuses on staffing in acute services, in summer 2017.

#### **Impact on South Ayrshire IJB**

The following specific areas have been highlighted in relation to the IJB:

- Turnover – turnover rates have increased slightly over the last few years
- Ageing – there is a trend towards an increasingly ageing workforce

# Appendices



# Audit adjustments

There are no uncorrected misstatements or disclosure deficiencies identified from our audit.

# Action plan

## Recommendations for improvement

Area	Recommendation	Management Response	Responsible person	Target Date	Priority
Financial Management	Create a medium to longer term financial strategy, which should include sensitivity analysis and scenario planning.	Work has commenced on a Strategic Plan. A medium term financial plan will be included which will consider alternative service options.	Bill Gray and Sharon Lindsay	31 March 2018	
Governance	Board meeting minutes should better reflect the challenge and scrutiny provided by the members at committee meetings.	Minute content will be changed in the future to provide a summary of the debate, challenge and scrutiny that took place against individual agenda items	Bill Gray	13 Sept 2017	

**Key:**

 High Priority
  Medium Priority
  Low Priority

# 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.

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 the completeness and accuracy of income and management override of controls as a key audit risk for your organisation.

During course of our audit, we have had discussions with management 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 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 and Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

<b>Independence confirmation</b>	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.
<b>Fees</b>	<p>The audit fee for 2016/17 is £22,434 as detailed in our Audit Plan.</p> <p>No non-audit service fees have been charged by Deloitte in the period.</p>
<b>Non-audit services</b>	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.
<b>Relationships</b>	<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 events and publications to support the IJB

### 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: Health & Social Care - The great integration challenge

Bringing health and social care closer together has been a policy ambition for decades, yet it continues to be a challenge. This new piece discusses some of the key factors that affect integration and what can realistically be achieved. Read the full blog post here:

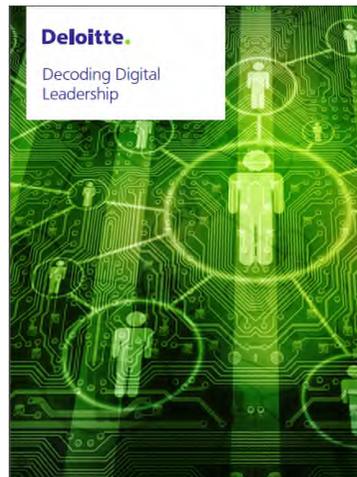
<http://www2.deloitte.com/uk/en/pages/public-sector/articles/the-great-integration-challenge.html>

### Perspectives: The public sector's talent retention challenge – How can a talent drain be avoided?

Although global governments are increasingly conscious of the value of skills, the UK's public sector workforce has been hit hard by austerity. Job losses, low morale and pay freezes have all fuelled concerns of a potential drain. Read the full blog here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/public-sectors-talent-retention-challenge.html>

### Publications



### Decoding Digital Leadership Surviving Digital Transformation

Digital transformation is a hot topic in government. The 2010 Spending Review mentioned the word 'digital' only four times in its reform plans, while the 2015 Review mentioned it 58 times. With that context, are senior leaders across government setting their organisations up for digital success?

Digital transformation requires top to bottom organisational transformation, which requires leaders who are willing and able to leverage digital to innovate, fail fast and drive value in an ambiguous context. Are your leaders equipped to drive digital transformation?

Download a copy of our publication here:

<http://www2.deloitte.com/uk/en/pages/public-sector/articles/decoding-digital-leadership.html>



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