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**Integration Joint Board**  
**29<sup>th</sup> August 2019**  
**Agenda Item No.**

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**Subject:** **Deloitte LLP: 2018/19 Annual Audit Report**

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**Purpose:** The Board is required to approve the audited annual accounts for 2018/19 for issue by 30 September 2019 and to consider the report from External Audit.

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**Recommendation:** That the Board:

- (a) Note that Deloitte LLP have completed their audit of the annual accounts for 2018-19 and have issued an unqualified independent report auditor's report;
- (b) Approve the Audited Annual Accounts to be signed for issue.

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<b>Glossary of Terms</b>	
NHS AA	NHS Ayrshire and Arran
HSCP	Health and Social Care Partnership
MTFP	Medium Term Financial Plan

<b>1.</b>	<b>EXECUTIVE SUMMARY</b>
1.1	The Integration Joint Board (IJB) were required to produce a set of annual accounts for 2018-19. These accounts were produced within the statutory timescale and have been subject to independent audit by the Integration Joint Board's external auditors, Deloitte LLP. The audit process has been completed and external audit have issued an unqualified independent auditors report.
1.2	The annual accounts were submitted to Deloitte LLP for audit in accordance with the agreed timetable. The external auditor is required to report on certain matters arising to those charged with governance in sufficient time to enable appropriate action to be taken before the financial statements are approved and certified.
1.3	The Audited Annual Accounts require to be approved by the IJB prior to 30 September 2019. As part of the independent audit there were some minor changes required, these were mainly presentational and to provide additional information or clarification and there are no changes to the financial position reported to the Performance and Audit Committee in June. Deloitte LLP's External Audit Annual Audit Report includes the findings of the audit and there are no recommendations for improvement arising from the financial statements audit. The interim report submitted to the Performance and Audit Committee in June 2019 detailed the recommendations arising from the work on the wider audit dimensions. These will be followed up as part of the 2019-20 audit.

<b>2.</b>	<b>BACKGROUND</b>
2.1	The Integration Joint Board is subject to the audit and accounts provisions of a body under section 106 of the Local Authority Government (Scotland) Act 1973. This requires annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations. The requirements are proportionate to the number of transactions of the Integration Joint Board whilst complying with the requirement for transparency and true and fair reporting in the public sector.
2.2	The audited annual accounts have been prepared in accordance with the Code of Practice on Accounting for Local Authorities in the United Kingdom 2018-19. Additional guidance was issued by the Scottish Government Integrated Resources Advisory Group (IRAG) and CIPFA LASAAC and this guidance has been followed to produce the unaudited accounts. In addition support was provided by CIPFA and Audit Scotland to ensure a consistency of approach and shared best practice across Integration Joint Boards.
2.3	The Audited Annual Accounts for 2018-19 are included as Appendix 1, these incorporate the independent auditors report. Deloitte LLP are able to conclude that the Integration Joint Board's accounts present a true and fair view of the IJB.
2.4	Appendix 2 includes a covering letter from Deloitte LLP which incorporates their ISA260 letter "report to those charged with governance" together with their proposed Independent Auditor's Report and the letter of representation to be signed by the Chief Finance Officer (NAHSCP) as responsible officer for North Ayrshire Health and Social Care Partnership. Deloitte LLP's External Audit Annual Audit Report to members, which summarises the findings of the audit is attached at Appendix 3.
2.5	Deloitte LLP have given an unqualified opinion that the 2018-19 financial statements give a true and fair view of the financial position and expenditure and income of the IJB for the year, concluding that the accounts have been properly prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements. No monetary adjustments have been identified and the overall financial position remains as reported to the Performance and Audit Committee in June 2019.
2.6	As part of their audit work, alongside the audit of the annual accounts, Deloitte LLP assessed the key financial and strategic risks being faced by the IJB, reviewing the IJB's financial position and aspects of financial management, sustainability, transparency, governance and value for money.  Representatives from Deloitte LLP will provide an overview and further feedback on the report at the meeting.
2.7	The Integration Joint Board are required to formally approve the Audited Annual Accounts prior to 30 September 2019, the IJB are asked to approve the accounts for signature and issue. Thereafter they will be published on the partnership website.

<b>3.</b>	<b>PROPOSALS</b>
3.1	The Board is invited to note that Deloitte LLP have completed their audit of the annual accounts for 2018-19 and have issued an unqualified independent auditor's report. The IJB is also asked to approve the Audited Annual Accounts to be signed for issue.
3.2	<b><u>Anticipated Outcomes</u></b>
	The annual accounts are a key statutory reporting requirement and can be a useful way to join up financial and service delivery performance information in a readily available public document, the IJB has a statutory responsibility to approve the Audited Accounts for issue by 30 September 2019.
3.3	<b><u>Measuring Impact</u></b>
	Progress against the wider scope recommendations will be reviewed by the Performance and Audit Committee during 2019/20.
<b>4.</b>	<b>IMPLICATIONS</b>

<b>Financial :</b>	The IJB are required to consider and approved the Audited Annual Accounts for 2018-19 by 30 September 2019.
<b>Human Resources :</b>	None
<b>Legal :</b>	None
<b>Equality :</b>	None
<b>Environmental &amp; Sustainability :</b>	None
<b>Key Priorities :</b>	None
<b>Risk Implications :</b>	None

<b>Direction Required to Council, Health Board or Both</b> <i>(where Directions are required please complete Directions Template)</i>	Direction to :-	
	1. No Direction Required	X
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

<b>5.</b>	<b>CONSULTATION</b>
5.1	<p>The unaudited annual accounts were advertised and made publicly available for inspection; the audited accounts will require to be published by 30 September 2019. There were no objections noted from the public inspection.</p> <p>The Chief Officer and other officers of the IJB have been consulted during the audit process.</p>

<b>6.</b>	<b>CONCLUSION</b>
6.1	Deloitte LLP have issued an unqualified opinion on the 2018-19 annual accounts.

**For more information please contact:**

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# ANNUAL ACCOUNTS

## FOR THE YEAR ENDED 31 MARCH 2019



North Ayrshire  
Integration Joint Board



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# Management commentary

This publication contains the Annual Accounts of North Ayrshire Integration Joint Board (IJB) for the year ended 31 March 2019.

The Management Commentary outlines the key messages in relation to the IJB's financial planning and performance for the year 2018–19 and how this has supported delivery of the IJB's strategic priorities. This commentary also looks forward, outlining the future financial plans for the IJB and the challenges and risks that we will face as we strive to meet the needs of the people of North Ayrshire.

## North Ayrshire IJB

Each of the three Ayrshire health and social care partnerships established their Integration Joint Boards on 1 April 2015. The IJB's purpose is to improve the health and wellbeing of local people, create support within our communities and deliver joined-up care pathways for people who use health and social care services, particularly those who have complex care needs.

North Ayrshire Health and Social Care Partnership (NAHSCP/the Partnership) is the name given to the service delivery organisation for functions which have been delegated to the IJB.

NAHSCP is facing significant challenges.

In 2018, NAHSCP launched a refreshed strategic plan, *Let's Deliver Care Together*, outlining our ambitions for 2018–2021. The plan sets the key strategic priorities that will ensure that we deliver our vision. It seeks to address the increasing health inequalities in North Ayrshire and focuses on improving the efficiency and quality of the services being provided, putting individuals, families and communities at the heart of the plan.

North Ayrshire Health and Social Care Partnership's vision is:

**'All people who live in North Ayrshire are able to have a safe, healthy and active life'**

This vision is supported by five strategic priorities:



*NAHSCP priorities*

North Ayrshire Council and NHS Ayrshire & Arran delegate responsibility for the planning of services to the IJB. The IJB commissions services from North Ayrshire Council and NHS Ayrshire & Arran and is responsible for the operational oversight of integrated services. NAHSCP's Chief Officer is responsible for the operational management of integrated services.

The Chief Officer is supported by heads of service for each service area and the partnership management team. A dedicated Chief Finance and Transformation Officer role was introduced during 2017–18, with the position subsequently filled on a permanent basis in July 2018.



NAHSCP structure

The IJB Strategic Plan is supported by day to day management plans and individual service strategies. These plans operationalise and provide greater detail on how the IJB will deliver on its key priorities and identifies the resources required for implementation. Further, implementation of the strategic plan is key for the Partnership to achieve the nine National Health and Wellbeing Outcomes set by the Scottish Government.

The Strategic Plan also complements North Ayrshire Community Planning Partnership's Local Outcome Improvement Plan (LOIP), the North Ayrshire Council plan and the NHS Ayrshire & Arran Annual Operating Plan. This is vital to ensure that our limited resources are targeted in a way that makes a significant contribution to our shared priorities.

## North Ayrshire today

North Ayrshire is home to 136,000 people and covers an area of 340 square miles and includes the islands of Arran, Great Cumbrae and Little Cumbrae.

During 2017, it was estimated that 10,800 (24.4%) households in North Ayrshire were workless. Between October 2017–September 2018, unemployment was 5.8%, (Scottish average, 4.2%). The claimant count in North Ayrshire (February 2019) was 5.6%, again above the Scotland average of 3%

We know that the population of North Ayrshire is expected to fall over the next 10 years, and we expect that there will be fewer people aged 65 and under, reducing the number of working age adults. We also expect that the number of people aged 65+ will increase by 20%, with the highest increase (38%) in those aged 75 or over.



According to Scottish Index of Multiple Deprivation (SIMD) 2016, 39% of North Ayrshire residents live in areas identified as amongst the most deprived in Scotland.

**39% equates to almost 53,000 people**



**Levels of multi morbidity** (people with more than one chronic medical condition) are higher in the most deprived areas

North Coast locality has lower levels of deprivation compared with other areas in North Ayrshire and as such, have lower levels of people with multi-morbidities (11% for those 65 and older) compared with areas with higher levels of deprivation, such as Three Towns locality, where multi-morbidity levels are much higher (36% for those 65 or older).



In 2018, Child Poverty Action Group published their report on levels of child poverty across the UK. In this report, it was estimated that **7,878 children in North Ayrshire were living in poverty**, this equates to 29% of all local children. While this is slightly less than the 30.4% reported in 2016, North Ayrshire still has the second highest rate of child poverty in Scotland, after Glasgow City.

## A snapshot of achievements during 2018–19

We had **1,612 conversations**  
in North Ayrshire on 6 June 2018 #WMTY18



Teams noted how many conversations they had, the benefits and challenges of taking part, decided on **one change that they would make as a team and agreed on a suggested change for the overall service**

Our **Community Link Worker** team increased from 7 to 12 by September 2018. All 20 General Practices in North Ayrshire now have a Community Link Worker in post.

The Ayrshire

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**MENTAL HEALTH**

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Conversation

2018  
**#AyrshireMentalHealth**

People could respond as a service user, someone who hadn't accessed services or as a carer or family member of someone who has used services. People had the opportunity to have their say via local conversation events, paper-based questionnaires (in local libraries and within other local services) and an online survey.

**The Ayrshire Mental Health Conversation** received 777 responses, creating a way forward for mental health services across Ayrshire.

**North Ayrshire Achieves** winners included **Montrose House management team** (Promoting Wellbeing category) **Care at Home** for Building Community Capacity category.

**Intermediate Care and Community Rehabilitation Service** went live on 19 November 2018. The service has a common framework, ensuring a consistent approach across Ayrshire. This is applied locally to reflect the differing needs, ambitions and operational arrangements of the different partnerships in East, North and South Ayrshire.



In consultation with people who use our **learning disability services**, we are re-developing the property, gardens and grounds at Trindlemoss (previously Red Cross House, Irvine) to provide person-centred, wraparound care focussing on each person's outcomes and people in the heart of their community.

Our partners in the **independent care home sector** continued to provide care home services during a period of instability in the sector.

**Partnership Care at Home Services** graded as 5 by the Care Inspectorate.

The **Veterans 1<sup>st</sup> Point (V1P) Service** celebrated its 1<sup>st</sup> birthday

**Carers Week** was celebrated with events taking place in all six localities.

## Organisational performance

The planning and delivery of transformational change within the Health and Social Care Partnership requires our services to make a difference to people's lives within North Ayrshire. To support service change the Partnership continually monitors service performance, and reviews this in various ways.

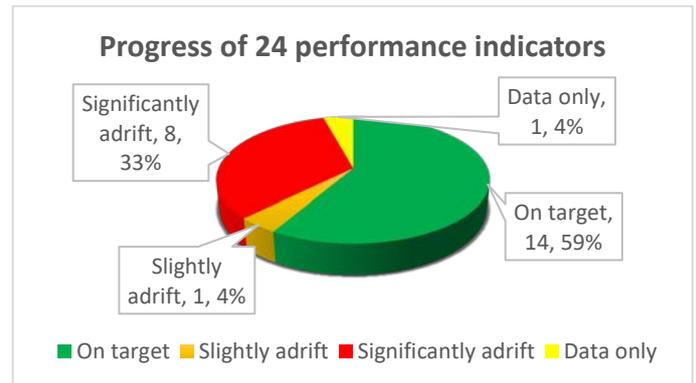
Performance information drives improvement with an outcomes focus on improving how services are provided, as well as the difference that integrated health and social care services should make to individuals. In our performance monitoring and reporting, we show trends over time, where we are against target and where available, how we compare with other geographical areas. We monitor against all the agreed national indicators, including Local Government Benchmarking Framework (LGBF) indicators, Ministerial Steering Group Indicators (MSG), the NHS' Local Delivery Plan HEAT (Health Improvement, Efficiency, Access and Treatment) targets, HSCP National Health and Wellbeing Outcome Indicators, as well as a range of locally defined measures.

All reports comprise of a series of key performance indicators and key actions, which link directly back to our strategic plan. Performance is reported at a number of levels within the organisation including the Integration Joint Board Performance and Audit Committee (IJB PAC), the Integration Joint Board (IJB), the Joint Review with North Ayrshire Council and NHS Ayrshire & Arran Chief Executives, and all service performance reviews within each service area.

Where an indicator is off track, commentary with proposed resolution and future mitigation is provided on how to improve performance.

The number of performance indicators was reviewed during 2018-19 and reduced from 45 to 24 key measures. The latest Performance and Audit Committee Report (Q4 2018-19) shows progress against the key measures and

this is represented in the chart below.



For some measures performance is exceeding the targeted levels, however it is clear that the challenges remain for others. These include challenges around workforce gaps, service demand pressures and the pace of transformational change not happening fast enough to ensure performance is achieved or improved in all areas.

As part of our commitment to continuous improvement, we recognise areas where we could do more and by monitoring indicators which present as significantly adrift enables us identify and target plans to address performance issues.

The key areas off target for 2018-19 are:

- Number of days people spend in hospital when they are ready to be discharged
- Care at Home capacity lost due to cancelled hospital discharges
- Number of people delayed, at point of discharge from hospital to a care home, after funding has been confirmed
- Number of adults in receipt of a Direct Payment
- Number of Child and Adolescent Mental Health Services (CAMHS) referrals
- Referral to Treatment Times for Psychological Therapies
- Working days lost to sickness absence per employee

The hospital activity outcome indicators have shown improvement towards the end of the year. The partnership now have a hospital based team in Crosshouse Hospital with daily huddles to improve the flow of patients through the hospital and assist with the discharge process. Further work is required to understand the underlying data and interdependencies with community services to inform the future commissioning plans which require to be developed to ensure the set aside arrangements are fit for purpose and support the IJB to plan across the whole of the unplanned care pathway.

Further information on performance is contained in the Annual Performance Report published in July 2019.

<http://www.nahscp.org/performance/>

## Annual accounts

The Annual Accounts set out the financial statements of the IJB for the year ended 31 March 2019. The main purpose is to demonstrate the stewardship of the public funds that have been entrusted to the IJB for the delivery of its vision and strategic priorities as outlined in the Strategic Plan. The requirements governing the format and content of the Annual Accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Annual Accounts for 2018–19 have been prepared in accordance with this Code.

## The financial plan

Strong financial planning and management is paramount to ensure our limited resources are targeted to maximise the contribution to our objectives. Delivery of services in the same way is not financially sustainable. The updated strategic plan approved for 2018–21 is underpinned by the need to transform care models to find new solutions as the partnership may not always be the first source of support.

In 2018-19 the partnership agreed a one year budget but did not identify all savings required to fully balance the budget. With an overall savings requirement of £6.6m, £1.7m of which being historic NHS CRES savings which remained outstanding at the year-end. The financial position was monitored closely during the financial year with a financial recovery plan approved to ensure the partnership could achieve financial balance in the short term. This allowed for time to plan properly as part of the 2019-20 budget process to develop plans to fully address the budget gap on a recurring basis.

The ability to plan based on the totality of resources across the health and care system to meet the needs of local people is one of the hallmarks of integrated care. Medium term financial planning is key to supporting this process and identifying the transformation and planned shift in resources to provide sustainable services to the local community over the medium term.

The Medium Term Financial Plan (MTFP) is being refreshed and will be key to supporting the delivery of the strategic plan. This plan will set out the expectation to start to deliver a shift in care from a hospital setting to a community setting within the resources available.

## Financial performance

Financial information is part of the performance management framework with regular reporting of financial performance to the IJB. This included an integrated approach to financial monitoring, reporting on progress with savings delivery, financial risks and any variations and changes to the delegated budget. There were significant financial challenges during the year due to increasing demand for social care services, the delivery of the transformation programme and associated savings. Despite this there was an improved financial position compared to 2017-18.

Throughout the year there was a projected overspend position, as a consequence a

financial recovery plan was put in place to support the delivery of services from within the delegated budget. The financial recovery plan and progress was monitored throughout the financial year.

The overall financial performance against budget for the financial year 2018-19 was an overall underspend of £0.945m (£0.389m in social care services and £0.556m in health services). This position includes the £1.486m budget being held on behalf of the IJB by the Council for debt repayment, as this was required to be transferred back to the IJB at the financial year-end. This position is also before earmarking £0.277m of resource for use in future years.

The final adjusted year-end position was a £0.668m underspend after earmarking, this balance will be used to commence repayment of the historic debt carried forward from previous years.

The IJB plans during 2018-19 were that prior to the £1.486m set aside for debt repayment being reallocated to the partnership that the IJB would work towards delivering financial balance in-year which would have allowed the full amount set-aside to be allocated towards the debt at the year-end. The full repayment was not possible due to demand and costs for social care services.

2017-18 Budget £000	2017-18 Actual £000	Variance (Fav) / Adv £000		2018-19 Budget £000	2018-19 Actual £000	Variance (Fav) / Adv £000
65,543	64,714	(829)	Health and Community Care	65,900	65,952	52
71,761	72,772	1,011	Mental Health	73,308	72,982	(326)
33,504	35,965	2,461	Children, Families and Justice	35,591	35,705	114
49,637	49,518	(119)	Primary Care	48,916	48,839	(77)
0	0	0	Allied Health Professionals	4,636	4,588	(48)
4,266	5,798	1,532	Management and Support Costs	6,821	5,970	(851)
2,870	2,347	(523)	Change Programme	2,623	2,290	(333)
<b>227,581</b>	<b>231,114</b>	<b>3,533</b>	<b>TOTAL EXPENDITURE</b>	<b>237,795</b>	<b>236,326</b>	<b>(1,469)</b>
<b>(227,581)</b>	<b>(228,552)</b>	<b>(971)</b>	<b>TOTAL INCOME</b>	<b>(237,795)</b>	<b>(237,795)</b>	<b>0</b>
<b>0</b>	<b>2,562</b>	<b>2,562</b>	<b>OUTTURN ON A MANAGED BASIS</b>	<b>0</b>	<b>(1,469)</b>	<b>(1,469)</b>
0	0	0	Lead Partnership Allocations	0	524	524
<b>0</b>	<b>2,562</b>	<b>2,562</b>	<b>OUTTURN ON AN IJB BASIS</b>	<b>0</b>	<b>(945)</b>	<b>(945)</b>
0	0	0	Earmarking	0	277	277
<b>0</b>	<b>2,562</b>	<b>2,562</b>	<b>FINAL OUTTURN POSITION</b>	<b>0</b>	<b>(668)</b>	<b>(668)</b>

The table above summarises the financial performance for 2018-19 and 2017-18. This notes the budget outturn on a managed basis (including the full allocation for North HSCP lead partnership services), adjusts this for the net impact of lead partnership allocations across North, South and East Ayrshire and also for new earmarked balances. As the table reflects the budget managed by the IJB during the year, it excludes the large hospital Set Aside Budget of £30.114m which was allocated at the end of the year to the IJB. The set aside budget is included within the financial statements. During 2018/19 the Allied Health Professional budget transferred into the partnership from the South HSCP following a decision to end the lead partnership arrangement and disaggregate the budget to East and North HSCP.

The main areas of variance during 2018-19 are noted below:

**Health and Community Care – overspend of £0.052m** mainly relates to an overspend in care home placements and community packages (PD) partially offset by underspends in care at home, adaptations and district nursing.

**Mental Health – underspend of £0.326m** which relates to an overspend in learning disability care packages which is offset by underspends in community mental health and the Lead Partnership for mental health (psychology, child and adolescent mental health services (CAMHS)) and unplanned activities (UnPACs).

**Children, Families and Justice – overspend of £0.114m** is mainly related to an overspend in residential and secure placements partially offset by an underspend within fostering.

*In general, the areas above are overspent within the social care aspect of service provision which is demand led and subject to fluctuations throughout the year. These are at times difficult to deliver within budget as some can be low volume but very high cost.*

**Management and Support Costs – underspend of £0.851m** mainly relates to the allocation of the £1.5m for the debt repayment offset by unachieved NHS CRES savings (cash releasing efficiency saving).

**Change Programme – underspend of £0.333m** mainly relates to slippage on various projects either through vacancies or alternative funding identified for the continuation of projects.

### **Challenge Fund**

North Ayrshire Council, during the 2017–18 budget setting process, approved the development of an innovative approach for the establishment of a £4m ‘Challenge Fund’. This ‘invest to change’ programme created an opportunity for services, using a change approach, to realise both required North Ayrshire Council savings and additional savings which could be re-invested in their newly designed service to support future sustainability. These projects included placing a team within a secondary school to support the school and a feeder primary to prevent children being placed in a residential placement resulting in no placements from these schools, employing additional reablement staff within care at home resulting in a lower level of support moving forward, and establishing a Learning Disability Review team to review existing care package provision.

The projects which commenced in 2017–18 have completed during 2018–19 and following evaluation either ceased or continued to be funded on a recurring basis by the savings made from the projects. Due to financial pressures in the partnership and North Ayrshire Council the £4m originally available for investment was reduced to £2m and with projects nearing completion there is now no separate funding out-with the baseline IJB budget to fund investment in transformational change programmes.

### **Lead Partnership Services**

The final outturn is adjusted to reflect the impact of Lead Partnership services. During 2018-19 agreement was reached with the other Ayrshire partnerships that in the absence of detailed service activity information and alternative risk sharing arrangements that the outturn for all Lead Partnership services would be shared across the 3 partnerships on an NRAC (NHS Resource Allocation Committee) basis.

The outturn (including the impact of the AHP service being disaggregated) of the lead partnership services for each IJB is provided below, the adjustment to the North IJB outturn reflects the impact of reallocating a share of the North lead partnership services underspend to the other two areas and an NRAC share of the outturn for the South and East partnerships. In addition, any allocations of

ring-fenced funding are returned to each IJB in line with allocations and expenditure to allow each IJB to carry forward for future use.

IJB	£000	
North	(889)	Underspend
South	(72)	Underspend
East	270	Overspend

### Set Aside Budget

The Integration Scheme establishes that pressures in respect of large hospital set aside budgets will be managed in-year by NHS Ayrshire & Arran. The 2018-19 budget delegated by NHS Ayrshire & Arran includes the acute set aside resource of £30.114m, this is based on Information Services Division Scotland (ISD) data. The set aside allocation below highlights that North Ayrshire's use of the resource is above the NRAC 'fair share':

IJB	Set Aside 2018-19 £m	NRAC %	NRAC Budget Share 2018-19 £m	Over / (Under) NRAC Fair Share £m
East Ayrshire	23.430	32.1%	25.019	(1.589)
North Ayrshire	30.114	37.2%	28.994	1.120
South Ayrshire	24.396	30.7%	23.927	0.469
<b>Total</b>	<b>77.940</b>	<b>100%</b>	<b>77.940</b>	<b>-</b>

There is an expectation that each partnership will move towards it's NRAC 'fair share' of resources.

It is essential that the IJB operates within the delegated budget and commissions services from the Council and Health Board on that basis. Financial balance has not been delivered in previous years, significant progress has been made during 2018-19 to ensure the ongoing financial sustainability of the IJB. This work will continue and be built upon moving into 2019-20. Key successes for 2018-19 include:

- Repayment of the outstanding debt to the Council has commenced, although less than the £1.5m planned there remains a substantial contribution of £0.668m to the outstanding debt
- On an HSCP managed basis the partnership delivered a £1.5m underspend, this reflects the impact of financial management arrangements and controls across all service directly managed by the partnership
- 2018-19 is the first year where the year-end IJB position has been accounted for in a truly integrated way with resource shifting from the NHS budget to offset Social Care pressures
- Overall reported surplus allows for the earmarking and protection or ring fenced funding for Scottish Government priorities
- Savings totalling £4m were delivered in-year, against an approved plan of £4.9m and delivering more than expected at the start of the year against savings viewed as high risk for delivery

- Progress with reducing the financial overspends for 2018-19 which will have an impact on the financial plans and sustainability for future years.

Strong financial leadership will continue to be required to ensure that future spend is contained within the budget resources available, the IJB move into the 2019-20 with an approved balanced budget.

## Financial outlook, risks and plans for the future

The Health and Social Care Delivery Plan (published December 2016) outlined the need to shift the balance of where care and support is delivered, to outwith a hospital setting when that is the best thing to do. This provides a clear impetus to the wider goal of 50% of the health budget being spent in the community by 2021. During 2018–19 the Pan Ayrshire Intermediate Care and Rehab Model was implemented which is predicated on a shift from acute to community care.

In October 2018, the Scottish Government published the Medium Term Health and Social Care Financial Framework which sets out the future shape of Health and Social Care Demand and Expenditure. Within the report it outlined that the Institute of Fiscal Studies and Health



Foundation reported that UK spending on healthcare would require to increase in real terms by an average of 3.3% per year over the next 15 years to maintain NHS provision at current levels, and that social care funding would require to increase by 3.9% per year to meet the needs of a population living longer and an increasing number of younger adults living with disabilities. The report recognised that despite additional planned investment in health and social care the system still needs to adapt and change.

The focus of the financial framework is on the main health and social care expenditure commitments, as set out below.

- Over the course of this parliament, baseline allocations to frontline health boards will be maintained in real terms, with additional funding over and above inflation being allocated to support the shift in the balance of care.
- Over the next five years, hospital expenditure will account for less than 50% of frontline NHS expenditure. This relates to the policy commitment to ‘shift the balance of care’, with a greater proportion of care provided in a setting close to a person’s home rather than in a hospital.
- Funding for primary care will increase to 11% of the frontline NHS budget by 2021–22. This will amount to increased spending of £500 million, and about half of this growth will be invested directly into GP services. The remainder will be invested in primary care services provided in the community.
- The share of the frontline NHS budget dedicated to mental health, and to primary, community, and social care will increase in every year of the parliament. For adults, and in some cases for

children, these services, along with unscheduled hospital care, are now managed by Integration Authorities.

The Ministerial Strategic Group (MSG) for Health and Community Care published a report following the Review of Progress with Integration of Health and Social Care (February 2019). Within the integrated finance and financial planning area the proposals include:

- Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions as they relate to integration
- Delegated budgets for IJBs must be agreed timeously
- Delegated hospital budgets and set aside requirements must be fully implemented
- Each IJB must develop a transparent and prudent reserves policy
- Statutory partners must ensure appropriate support is provided to IJB Section 95 officers
- IJBs must be empowered to use the totality of resources at their disposal to better meet the needs of their local populations.

The Partnership has a responsibility, with our local hospital services at University Hospital Crosshouse and University Hospital Ayr, for planning services that are mostly used in an unscheduled way. The aim is to ensure that we work across the health and care system to deliver the best, most effective care and support. Service areas most commonly associated with unplanned use are included in the 'Set Aside' budget. Set Aside budgets relate to the strategic planning role of the Partnership. Key areas within this budget are:

- Accident and emergency
- Inpatient services for general medicine
- Geriatric medicine
- Rehabilitation
- Respiratory
- Learning disability, psychiatry and palliative care services provided in hospital

Acute Services within NHS Ayrshire & Arran continue to face particular budget pressures around the costs of covering a high level of medical vacancies and the increasing needs of patients requiring nursing support above funded levels. There have been a high number of unfunded beds in use to meet demands and this pressure has been managed in-year by NHS Ayrshire & Arran in line with the Integration Scheme. The ability to plan with the overall resource for defined populations and user groups and to use budgets flexibly is one of the hallmarks of integrated care. A national Finance Development Group has been established to support implementation of the financial aspects of health and social care integration legislation and associated guidance. It is recognised that there is a need to understand the progress that is being made towards planning across the full pathway of care, including the acute hospital component and the way in which the statutory guidance on the use of delegated hospital budgets is being applied in practice.

Set Aside resources, as well as Lead Partnership / hosted services were recognised as areas requiring further development as part of the review of the Integration Scheme carried out in 2017 and in the Strategic Planning, Commissioning and Delivery of Health and Social Care Services within NHS Ayrshire & Arran report to the IJB on 13 June 2018. This report sets out arrangements for the next steps in respect of 'fair share' commissioning within the NHS Ayrshire & Arran health and social care system. The report also outlines future developments in respect of Directions as per the model provided by the Public Works (Joint Working) Scotland Act 2014 for IJBs to commission services from Councils and NHS Boards. Pan-Ayrshire workshops have been held

with representatives from the Scottish Government to take forward a national pilot project on 'fair share' commissioning through the use of Directions. This national pilot will ensure that delegated hospital budgets and Set Aside budget requirements will be fully implemented. The Ministerial Strategic Group for Health and Community Care Review of Progress with Integration of Health and Social Care report published February 2019 set this out as a key proposal under integrated finances and financial planning requirements

In March 2017, the IJB approved the first Medium Term Financial Plan covering the period 2017-2020. This is being refreshed and will be presented to the IJB during 2019 and will cover the period 2020-23. The Partnership will continue to face high levels of demand for services, however, it is fundamental that services are commissioned within the resources made available building on the good progress during 2018-19, this will be a high priority during 2019–20.

Availability of funding for public services correlates with economic growth, which continues to be weak with continuing uncertainty on the impact of Brexit. The partnership is supporting the continuing work within the Council and NHS Ayrshire & Arran to minimise the impact of Brexit. An area of risk to the partnership is the consequence of the funding pass through from the Council and NHS and the availability of workforce. These risks are included in the Council and NHS planning for Brexit as they are the employing bodies and funded by the Scottish Government. The implementation of new policy initiatives and the lifting of the public sector pay cap also impact on the funding available for core services and the flexibility to use resource in line with local requirements.

The most significant risks faced by the IJB over the medium to longer term, alongside mitigation, are summarised below.



These risks emphasise the importance of effective planning and management of resources. It is therefore crucial that we focus on early intervention, prevention and recovery if we are to work within the total delegated partnership budget.

To achieve its vision, the Partnership recognises it cannot work in isolation. The Partnership will continue to strengthen relationships with colleagues within the Community Planning Partnership to ensure a joint approach to improving the lives of local people.

Most importantly, the Partnership must work closer with local people and maximise the use of existing assets within communities to improve the overall health and wellbeing of people in North Ayrshire.

The planned Thinking Different, Doing Better sessions will focus on thinking differently about how we support people more appropriately, moving away from a deficit-based approach to assessment and care provision. By supporting people to think about resources and support they have available and allowing statutory services to prioritise resources to support people who need it the most, ensuring our resources are used equitably across the population of North Ayrshire.

### 2019-20 Budget

When setting the 2019-20 budget the intention was to bring a refreshed 3 year Medium Term Financial Plan to the IJB for approval, this was not possible due to the protracted negotiations over funding for 2019-20. The MTFP will be refreshed and brought to the IJB for approval later in 2019.

The Scottish Government finance settlement set out a number of conditions and requirements for Health Boards and Councils in relation to funding delegated to Integration Authorities. The delegated funding from both North Ayrshire Council and NHS Ayrshire & Arran meets those Scottish Government requirements. The requirements include:

- NHS payments to Integration Authorities for delegated health functions must deliver a real terms uplift in baseline funding
- £120 million will be transferred from the Health Portfolio to the Local Authorities in-year for investment in integration, including delivery of the Living Wage and uprating free personal care, and school counselling services
- £40 million has been included directly in the Local Government settlement to support the continued implementation of the Carers (Scotland) Act 2016 and extending free personal care to under 65s
- Additional funding is to be an increase to 2018-19 recurrent spending and not substitutional, and permitting further flexibility for Local Authorities to offset adult social care allocations by up to £50m or 2.2% of adult social care allocations based on local need
- Mental Health Funding must be at least 1.8% higher than the recurring 2018-19, to be over and above the new investment in Mental Health services to be distributed in-year
- The set aside arrangements support the Health and Social Care Medium Term Financial Framework - reducing hospital utilisation variation

Moving into 2019–20, the Partnership is proactively working to provide safe and effective services for the residents of North Ayrshire within the financial envelope. The IJB approved a one year balanced budget for 2019-20 in March 2019, at that time there was a requirement to identify and approve additional savings of £6.1m, as noted in the budget gap summary below:

	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Funding Increase	1.389	2.319	3.708
Funded Pressures	(5.093)	(2.561)	(7.654)
<b>Budget Gap</b>	<b>(3.704)</b>	<b>(0.242)</b>	<b>(3.946)</b>
Add historic CRES	-	(2.188)	(2.188)
<b>TOTAL Savings Required</b>	<b>(3.704)</b>	<b>(2.430)</b>	<b>(6.134)</b>

The Integration Joint Board in common with most Public Sector bodies is facing a period of significant financial challenge, with cost and demand pressures expected to outstrip any funding uplifts.

There are a number of highlighted financial risk areas that may impact on the 2019-20 budget during the year, these include:

- High risk areas of low volume / high cost services areas e.g. Learning Disability care packages, children's residential placements, complex care packages
- Progress with the work to develop set aside arrangements and the risk sharing arrangements agreed as part of this
- Mitigating the costs and impact of specific unfunded pressures where there is uncertainty over the value of the impact
- Implementation costs of the Scottish Government policy directives, for example Free Personal Care for under 65's
- Potential re-grading of posts due to erosion of grade differentials
- Lead / hosted service arrangements, including managing pressures and reporting this across the 3 IJBs
- The impact on Lead partnership and acute services from decisions taken by other Ayrshire areas.

These risks will be monitoring during 2019-20 and financial impact reported through the financial monitoring report.

The Transformation Board meets monthly to oversee the change programme, the group is solutions focussed with a view to identifying and implementing actions to get any off track plans back on target. The planned 2019-20 transformation and savings plans have been reviewed and the change team resource has been aligned to the delivery of these plans and these will be monitored through the Transformation Board.

Moving forward the plan for 2019–20 is to ensure the following actions are implemented:

- Continuation of the Transformation Board to review and challenge progress with the transformation programme
- All savings to be delivered per the agreed timetable to realise appropriate savings for 2019–20 and beyond – delivery of Transformation Programme
- Refresh of the Medium Term Financial Plan (MTFP)
- Work on directions, set aside, formalise commissioning arrangements etc

## Conclusion

The fourth year as an integrated Health and Social Care Partnership has seen significant progress towards achieving financial balance and overall service sustainability. The IJB has a deficit of £5.139m (2017–18 reduced to £5.807m) as it moves into 2019–20. There is a repayment plan to allow the deficit to be recovered over the medium term to support the financial sustainability of the Partnership.

The IJB recognises it must deliver services within its financial envelope for 2019–20 and our transformation programme will continue with delivery of the savings plan and service redesign.

There is a focus on the integration of services to deliver real change to the way services are being delivered, with a realism that continuing to deliver services in the same way is no longer sustainable and changes need to be made in the way services are accessed and provided. The scale and pace of change requires to be accelerated, the financial challenges drive the pace of change, however the requirement to change and re-design services to improve outcomes for individuals would exist despite the financial pressures.

There is an expectation that within North Ayrshire the pattern of spend will change and there will be a shift in the balance of care from institutional to community settings. The integration of health and social care provides a unique opportunity to change the way services are delivered, it is an opportunity to put people at the heart of the process, focussing on the outcomes they want by operating as a single health and social care service.

The IJB through the Strategic Plan outlines the belief that together we can transform health and social care services to achieve the joint vision for the future “all people who live in North Ayrshire are able to have a safe, healthy and active life”. Moving into 2019-20, we are working proactively to address the financial challenges, while at the same time, providing high-quality and sustainable health and social care services for the communities in North Ayrshire.

## Where to find more information

If you would like more information on IJB strategies, plans and policies and our performance and spending, please refer to the Partnership’s website [www.nahscp.org](http://www.nahscp.org)



Stephen Brown  
Chief Officer  
29 August 2019



Cllr Robert Foster  
IJB Chair  
29 August 2019



Caroline Whyte  
Chief Finance Officer  
29 August 2019

# Statement of responsibilities

## Responsibilities of the IJB

The IJB is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the chief finance officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Ensure the annual financial statements are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003)
- Approve the Annual Accounts for signature

I confirm that the audited annual financial statements were approved for signature at a meeting of the IJB on 29 August 2019.



Robert Foster

IJB Chair

29 August

## Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the annual accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the local authority Code (in so far as it is compatible with legislation)

The Chief Finance Officer is also required to:

- Keep proper accounting records which are up to date
- Take reasonable steps to ensure the propriety and regularity of the finances of the Integration Joint Board

I certify that the financial statements give a true and fair view of the financial position of the North Ayrshire Integration Joint Board as at 31 March 2019, and its income and expenditure for the year then ended.



Caroline Whyte  
Chief Finance Officer

29 August 2019

# Annual governance statement

The Annual Governance Statement explains how North Ayrshire IJB complies with the Code of Corporate Governance and meets the requirements of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government 2016' and the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.



## Scope of responsibility

North Ayrshire IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The IJB is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. Reliance is placed on these controls which are designed to manage risk to a reasonable level but cannot eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable but not absolute assurance of effectiveness.

## Purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values by which the IJB is directed and controlled and the activities through which it accounts to and engages with the community. It enables the IJB to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of North Ayrshire IJB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

## Governance framework

The main features of the governance framework that was in place during 2018–19 are summarised below:

- The IJB, comprising all IJB Board members, was the key decision-making body. The Performance and Audit Committee considered all matters in relation to Internal and External Audit, Risk Management and Performance
- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of administration, scheme of delegation to officers and financial regulations
- The Integration Scheme sets out the process to determine financial contributions by partners to Integration Joint Boards. This has been supplemented by directives from the Scottish Government in relation to additional resources for Health and Social Care Integration
- The IJB's purpose and vision are outlined in the IJB Strategic Plan which links closely to the vision of the North Ayrshire Community Planning Partnership and the Local Outcome Improvement Plan (LOIP) and is underpinned by an annual action plan and performance indicators. Work was carried out to refresh the Strategic Plan and this was approved by the IJB in April 2018. Regular progress reports on the delivery of the Strategic Plan were provided to the Performance and Audit Committee and the IJB
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the IJB. Regular reporting to Board Members takes place
- A risk management strategy and strategic risk register is in place for the IJB.
- A Health and Care Governance Framework was agreed by the IJB on 9 March 2017. This covers governance arrangements in relation to complaints and customer feedback, risk management, health and safety, Internal Audit, workforce planning and public protection. Regular updates are provided to the IJB by the Health and Care Governance Group.
- The IJB has adopted a 'Code of Conduct' for all of its Board Members and employees, a register of interests is in place for all Board members and senior officers
- The IJB has in place a development programme for all Board Members, the Partnership Senior Management Team and senior managers across the Partnership. Performance and Personal Development (PPD) schemes are in place for all staff, the aim of which is to focus all staff on their performance and development that contributes towards achieving service objectives
- The IJB has established six locality planning forums, reflecting the previously agreed local planning areas. These provide Board Members, health and social care staff and local community representatives with the opportunity to be involved in considering and influencing priorities for each area
- A Transformation programme is in place, covering four main themes of building teams around children, developing a wider range of primary care services, supporting older people and people with complex care needs and creating mental health and learning disability services to better support people to stay well. A Transformation Board has oversight of the programme.

The governance framework was in place during the year ended 31 March 2019.

## System of internal financial control

The governance framework described operates on the foundation of internal controls. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of these systems is supported by NHS Ayrshire & Arran and North Ayrshire Council in relation to the operational delivery of health and social care services. In particular, these systems include:

- Financial regulations and codes of financial practice
- Comprehensive budgeting systems
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts
- Setting targets to measure financial and other performance
- Formal project management disciplines
- The establishment of a Transformation Board to provide further scrutiny of service re-design and financial delivery
- An effective Internal Audit function

The IJB's financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Finance Officer in Local Government (2014)'.

## Membership of IJB

The following new appointments were made:

- Chair, Kilwinning Locality Forum
- Vice Chair, Performance and Audit Committee
- Section 95 Officer

## Review of effectiveness

North Ayrshire IJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Partnership Senior Management Team who have responsibility for development and maintenance of the governance environment, the annual report by the Chief Internal Auditor and reports from Audit Scotland and other review agencies.

The Chief Internal Auditor reports directly to the IJB Performance and Audit Committee on all audit matters, with the right of access to the Chief Officer, Chief Finance Officer and Chair of the Performance and Audit Committee on any matter. In accordance with the principles of the code of corporate governance, regular reports were made to the IJB's Performance and Audit Committee during 2018–19.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal control. During 2018–19, the partnership operated in accordance with relevant professional audit standards and the Public Sector Internal Audit Standards.

The Chief Internal Auditor is responsible for forming an annual opinion on the adequacy and effectiveness of the systems of internal control.

It is the opinion of the Chief Internal Auditor that the systems of internal control relied upon by the IJB continue to provide reasonable assurance against loss.

**New reporting responsibilities** were placed on IJBs by the Public Bodies (Joint Working) (Scotland) Act 2014, during 2018:

- **Model Publication Scheme**  
Freedom of Information (Scotland) Act 2002 (FOISA) requires Scottish public authorities to produce and maintain a publication scheme. The Scottish Information Commissioner wrote to all

IJBs (Nov 2018) asking for key changes to be included in their updated schemes. This was updated in 2018.

- **Records Management Plan**  
Public Records (Scotland) Act 2011 requires named authorities to prepare a Records Management Plan (RMP). North Ayrshire IJB is a named authority under the Act. The Records Management Plan for North Ayrshire IJB was agreed by the IJB in February 2019.

### Annual Performance Report

The IJB endorsed the Annual Performance Report at the meeting in November 2018. This report, highlighted IJB's operations in 2017–18, outlined the good performance of the Health and Social Care Partnership and how it delivered against the strategic priorities and the national outcomes. The 2018-19 report was published in July 2019.

### Carer's (Scotland) Act 2016

Integration Schemes were amended in 2018 to reflect requirements of Carers (Scotland) Act 2016. The revised Integration Schemes for East Ayrshire, North Ayrshire and South Ayrshire IJBs were submitted to Scottish Government in March 2018 and approved by the Cabinet Secretary on 3 April.

### Terms of Reference

Terms of Reference were reviewed and amended for the undernoted governance groups of the IJB during 2018–19:

- Locality Partnership Forums
- Strategic Planning Group
- Performance and Audit Committee

### Transformation Board

Last year's Governance Statement stated that the Change Programme Board should establish more robust arrangements to secure

change and transformation at scale and pace. A review in 2018 led to the creation of a Transformation Board with a smaller, more strategic membership, a focussed Terms of Reference and streamlined governance arrangements. The first meeting was held in August 2018.

### Review of Progress with Integration of Health and Social Care

The Ministerial Strategic Group's (MSG) final report relating to the review of progress with integration of health and social care was submitted to IJB on 14 February 2019. North Ayrshire HSCP will benchmark and evaluate their position against the 25 proposals outlined in the report and the Audit Scotland report, and produce an action plan to be presented to the IJB during 2019. To ensure compatibility with other self-evaluations, the Scottish Government issued a template for completion, following IJB approval this has been submitted to the Scottish Government and progress with the identified actions will be reported through the Performance and Audit Committee and IJB.

### Chief Finance and Transformation Officer

During 2017–18, a new full-time post of Chief Finance and Transformation Officer was created to assist with the monitoring of financial performance and to drive transformational change in support of the future financial challenge. This post was recruited to on a permanent basis in 2018–19.

The elements noted above incorporate progress with the further actions or developments identified in the 2017-18 Annual Accounts, all of those actions were delivered as planned during 2018-19.

## Further actions

The IJB has identified the following actions for 2019–20 that will assist with the further strengthening of corporate governance arrangements:

- Implement the actions identified through the self-evaluation in relation to the review of progress with integration
- Develop a framework through which the IJB can demonstrate compliance with its statutory duty to secure Best Value
- Support the Pan-Ayrshire work on developing Directions for Lead Partnership services
- Develop commissioning plans and Directions in relation to the acute set-aside resources
- Develop Risk Management arrangements, including an agreed risk appetite statement
- Put in place a plan to review, on a rolling basis, IJB key governance documents, including for example Standing Orders, Scheme of Delegation and Financial Regulations.
- Further develop the capacity and support Locality Planning Forums to establish and implement locality plans

## Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2018–19 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

The Annual Governance Statement explains how North Ayrshire IJB complies with the Code of Corporate Governance and meets the requirements of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government 2016' and the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.



Stephen Brown  
Chief Officer

29 August 2019



Cllr Robert Foster  
IJB Chair

29 August 2019

# Remuneration report

This remuneration report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditor to ensure it is consistent with the financial statements.



## Remuneration: IJB Chair and Vice Chair

The IJB comprises eight voting members appointed through nomination in equal numbers by NHS Ayrshire & Arran and North Ayrshire Council. A Chair and Vice Chair are appointed in accordance with the Integration Scheme and the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. As required in Article 4 of the Order the nomination of the IJB Chair and Vice Chair post holders alternates between a Council and Health Board representative, with the Vice Chair appointment by the constituent authority who did not appoint the Chair.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. There were no taxable expenses paid by the IJB. Therefore no remuneration disclosures are provided for the Chair or Vice Chair.

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for the Chair or Vice Chair.

## Remuneration: Senior Officers of the IJB

The IJB does not directly employ any staff in its own right, however specific post-holding officers are non-voting members of the Integration Joint Board.

### Chief Officer

The appointment of an Integration Joint Board Chief Officer is required by section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 which includes the statement “an Integration Joint Board is to appoint, as a member of staff, a chief officer”. The Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer adheres to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer’s employment are approved by the IJB.

### Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

Total remuneration 2017–18	Name and post title	Salary, fees and allowances	Taxable expenses	Total remuneration 2018–19
£		£	£	£
106,906	<b>Stephen Brown, Chief Officer</b>	108,506	0	108,506
0	<b>Caroline Whyte, Chief Finance Officer</b>	59,336	0	59,336
3,479*	<b>Margaret Hogg, Chief Finance Officer</b>	0	0	0

\* This relates solely to the post of Chief Finance Officer. Margaret Hogg was remunerated separately by North Ayrshire Council for the post of Head of Finance.

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

	In Year pension contributions			Accrued pension benefits	
	Year to 31/3/18 £	Year to 31/3/19 £		Difference from 31/3/18	as at 31/3/19
Stephen Brown, Chief Officer from April 2017 to March 2019	0	0	Pension Lump Sum	0 0	0 0
Caroline Whyte, Chief Finance Officer from July 2018 to March 2019	0	11,412	Pension Lump Sum	n/a n/a	1,207 0
Margaret Hogg, Chief Finance Officer from April 2016 to December 2017	0	0	Pension Lump Sum	n/a n/a	n/a n/a

### Disclosure by pay bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

Number of employees in band 2017–18	Remuneration band	Number of employees in band 2018–19
1	<b>£105,000–£109,999</b>	1
-	<b>£55,000 - £59,999</b>	1

## Exit packages

There were no exit packages during 2017—18 or 2018—19.



Stephen Brown  
Chief Officer

29 August 2019



Cllr Robert Foster  
IJB Chair

29 August 2019

# Financial statements

The **Comprehensive Income and Expenditure Statement** shows the cost of providing services for the year according to accepted accounting practices.

2017–18		2018–19		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
63,268	Community Care and Health	65,751	-	65,751
26,730	Mental Health	27,816	-	27,816
35,535	Children's Services and Criminal Justice	35,300	-	35,300
49,518	Primary Care	48,839	-	48,839
5,566	Management and Support Costs	6,306	-	6,306
3,430	Change Programme	2,156	-	2,156
-	Allied Health Professionals	4,588	-	4,588
76,665	Lead Partnership and Set Aside	77,455	-	77,455
<b>260,712</b>	<b>Cost of Services</b>	<b>268,211</b>	<b>-</b>	<b>268,211</b>
(89,346)	North Ayrshire Council Funding	-	(95,169)	(95,169)
(168,804)	NHS Ayrshire & Arran Funding	-	(173,987)	(173,987)
<b>(258,150)</b>	<b>Total Taxation And Non-Specific Grant Income (note 5)</b>	<b>-</b>	<b>(269,156)</b>	<b>(269,156)</b>
2,562	<b>(Surplus) or Deficit on Provision of Services</b>	<b>268,211</b>	<b>(269,156)</b>	<b>(945)</b>

There are no statutory or presentation adjustments which affect the IJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently an Expenditure and Funding Analysis is not provided in these annual financial statements.

The **Movement in Reserves Statement** shows the movement in the year on the reserves held by the IJB. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices. In 2018–19 there were no statutory adjustments.

Total Reserves 2017–18	Movement in reserves	General Fund Balance 2018–19	Unusable Reserves 2018–19	Total Reserves 2018–19
(3,245)	Opening balance as at 1 April	(5,807)	0	(5,807)
(2,562)	Total Comprehensive Income and Expenditure	945	0	945

0	Adjustments between accounting basis and funding basis under regulations	0	0	0
<b>(2,562)</b>	<b>Increase or (decrease) in year</b>	<b>945</b>	<b>0</b>	<b>945</b>
<b>(5,807)</b>	Closing Balance as at 31 March	<b>(4,862)</b>	<b>0</b>	<b>(4,862)</b>

The **Balance Sheet** shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB.

31 March 2018 £000		Notes	31 March 2019 £000
0	Short Term Debtors	6	277
(5,807)	Long Term Creditors	7	(5,139)
<b>(5,807)</b>	<b>Net Assets</b>		<b>(4,862)</b>
(5,807)	Usable Reserve: General Fund	8	(4,862)
<b>(5,807)</b>	<b>Total Reserves</b>		<b>(4,862)</b>

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2019 and its income and expenditure for the year then ended.

The unaudited financial statements were authorised for issue on 27 June 2019 and the audited financial statements will be authorised for issue on 29 August 2019.



Caroline Whyte  
Chief Finance Officer

29 August 2019

# Notes to the financial statements

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

### General principles

The Financial Statements summarise the authority's transactions for the 2018–19 financial year and its position at the year-end as at 31 March 2019.

The North Ayrshire IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018–19, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The annual accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. Whilst the financial statements show an overall negative balance sheet position the Integration Scheme outlines the partnership arrangement between the Council and Health Board and the requirements for those organisations to underwrite the financial position of the IJB.

The historical cost convention has been adopted.

### Accruals of expenditure and income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB.
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down.

For the Integration Joint Board financial statements a debtor and/or creditor will be recorded where the partner contributions differ from the actual net expenditure in year, this allows any surplus or deficit on the provision of services to be transferred to the reserves held by the Integration Joint Board.

### Funding

The IJB is primarily funded through contributions from the statutory funding partners, North Ayrshire Council and NHS Ayrshire & Arran. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in North Ayrshire.

## Cash and cash equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet.

## Employee benefits

The IJB does not directly employ staff. Staff are employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement at 31 March is accrued, for example in relation to annual leave earned but not yet taken.

## Reserves

The Integration Joint Board's reserves are classified as either Usable or Unusable Reserves. The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

The IJB's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation. It defers the charge to the General Fund for the Chief Officer's absence entitlement as at 31 March, for example any annual leave earned but not yet taken. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

## Indemnity insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Ayrshire & Arran and North Ayrshire Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike NHS Ayrshire & Arran, the IJB does not have any 'shared risk' exposure from participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme). The IJB participation in the CNORIS scheme is therefore equivalent to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

## VAT Status

The IJB is a non-taxable body and does not charge or recover VAT on its functions.

## NOTE 2 – CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

The critical judgements made in the Financial Statements relating to complex transactions are:

- On behalf of all IJBs within the NHS Ayrshire & Arran area, the IJB acts as the lead partner for Mental Health Services. It commissions services on behalf of the three Ayrshire IJBs and reclaims the costs involved. This arrangement is treated as an agency arrangement. In the absence of an alternative agreement or approach being outlined in the Integration Scheme, the recharges across the partnerships for lead services are based on an NRAC share of costs, this may not reflect the actual cost of delivering services to the population in the three areas.
- In applying the accounting policies, the IJB has had to make a critical judgement relating to the values included for Set Aside services. The Set Aside figure included in the IJB accounts is based upon Information Services Division Scotland (ISD) 2017-18 activity data at 2016-17 prices with a 1% uplift applied. As such, the Set Aside sum included in the accounts will not reflect actual hospital usage in 2018-19.
- There are no material estimation uncertainties included within the Financial Statements.

## NOTE 3 – EVENTS AFTER THE REPORTING PERIOD

The audited annual financial statements will be authorised for issue by the Chief Finance Officer on 29 August 2019. Events taking place after this date are not reflected in the financial statements or notes.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the financial statements are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the financial statements are not adjusted to reflect for such events, but where a category of events would have a material impact disclosure is made in the notes of the nature of the events and their estimated financial effect.

There are no events to report after the reporting period end.

## NOTE 4 – EXPENDITURE AND INCOME ANALYSIS BY NATURE

2017–18 £000's		2018–19 £000's
114,099	Services commissioned from North Ayrshire Council	117,023
146,589	Services commissioned from NHS Ayrshire & Arran	151,163
24	Auditor Fee: External Audit Work	25
(258,150)	Partners Funding Contributions and Non-Specific Grant Income	(269,156)
<b>(2,562)</b>	<b>(Deficit) / Surplus on the Provision of Services</b>	<b>945</b>

## NOTE 5 - TAXATION AND NON-SPECIFIC GRANT INCOME

2017–18		2018–19
£000's		£000's
(89,346)	Funding Contribution from North Ayrshire Council	(95,169)
(168,804)	Funding Contribution from NHS Ayrshire & Arran	(173,987)
<b>(258,150)</b>	<b>Taxation and Non-specific Grant Income</b>	<b>(269,156)</b>

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement. There was no ring-fenced funding in 2017-18 or 2018-19.

The funding contribution from NHS Ayrshire & Arran shown above includes £30.114m (2017–18 £28.055m) in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

## NOTE 6 - DEBTORS

31 March 2018		31 March 2019
£000's		£000's
0	North Ayrshire Council	131
0	NHS Ayrshire & Arran	146
<b>0</b>	<b>Total Debtors</b>	<b>277</b>

Amounts owed to the funding partners are stated on a net basis. Debtor and Creditor balances recognised by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the Integration Joint Board.

## NOTE 7 – CREDITORS

31 March 2018		31 March 2019
£000's		£000's
(5,807)	North Ayrshire Council	(5,139)
0	NHS Ayrshire & Arran	0
<b>(5,807)</b>	<b>Total Creditors</b>	<b>(5,139)</b>

Amounts owed to the funding partners are stated on a net basis. Debtor and Creditor balances recognised by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the Integration Joint Board.

The Debtor balances recognised on the Balance Sheet represent the value of reserves held by partners supporting the earmarked element of the General Fund balance. The remaining balance of the surplus on the provision of services is offset against the Creditor in relation to the outstanding debt to North Ayrshire Council. This is in line with the amounts owed to funding partners being stated on a net basis irrespective of settlement in cash terms.



consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

The amount of expenditure and income relating to the agency arrangement is shown below.

2017-18 £000		2018-19 £000
29,685	Expenditure on Agency Service	29,018
(29,685)	Reimbursement for Agency Services	(29,018)
<b>0</b>	<b>Net Agency Expenditure Excluded from the CIES</b>	<b>0</b>

#### NOTE 10 – RELATED PARTY TRANSACTIONS

The IJB has related party relationships with NHS Ayrshire & Arran and North Ayrshire Council. In particular the nature of the partnership means that the IJB may influence, and be influenced by, its partners. The following transactions and balances included in the IJB's financial statements are presented to provide additional information on the relationships.

2017-18 £000	Transactions with NHS Ayrshire & Arran	2018-19 £000
(168,804)	Funding Contributions received from NHS Board	(173,987)
0	Service Income received from NHS Board	0
146,548	Expenditure on Services Provided by NHS Board	151,121
53	Key Management Personnel: Non-Voting Board Members	54
0	Support Services	0
<b>(22,203)</b>	<b>Net Transactions with NHS Board</b>	<b>(22,812)</b>

31 March 2018 £000	Balances with NHS Ayrshire & Arran	31 March 2019 £000
0	Debtor Balances: Amounts due from NHS Board	146
0	Creditor Balances: Amounts due to NHS Board	0
<b>0</b>	<b>Net Balances with NHS Board</b>	<b>146</b>

2017-18 £000	Transactions with North Ayrshire Council	2018-19 £000
(89,346)	Funding Contributions received from the Council	(95,169)
0	Service Income received from the Council	0
114,058	Expenditure on Services Provided by the Council	116,981
53	Key Management Personnel: Non-Voting Board Members	55
0	Support Services	0
<b>24,765</b>	<b>Net Transactions with the Council</b>	<b>21,867</b>

31 March 2018 £000	Balances with North Ayrshire Council	31 March 2019 £000
0	Debtor Balances: Amounts due from the Council	131
(5,807)	Creditor Balances: Amounts due to the Council	(5,139)
<b>(5,807)</b>	<b>Net Balances with the Council</b>	<b>(5,008)</b>

There are key management personnel employed by NHS Ayrshire & Arran and North Ayrshire Council, these costs are included in the expenditure on services provided. The non-voting Board members employed by the Council and Health Board include the Chief Officer, Chief Finance Officer, Chief Social Work Officer, representatives of primary care, nursing and non-primary care services; and a staff representative. Details of the remuneration for some specific post-holders is provided in the Remuneration Report.

Support services were not delegated to the Integration Joint Board through the Integration Scheme and are instead provided by NHS Ayrshire & Arran and North Ayrshire Council free of charge as 'services in kind'. These include services such as financial management, human resources, legal services, committee services, ICT, payroll, internal audit and accommodation.

#### **NOTE 11 – VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The VAT treatment of expenditure in the IJB's financial statements depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where the Council is the provider, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue and Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as income from the Commissioning IJB.

#### **NOTE 12 – ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED**

The Code requires the disclosure of information about accounting changes that will be required by new accounting standards that has been issued but not yet adopted. The IJB considers that there are no such standards which would have an impact on the 2018-19 financial statements.

# Independent auditor's report

## Independent auditor's report to the members of North Ayrshire Integration Joint Board and the Accounts Commission

### Report on the audit of the financial statements

#### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of North Ayrshire Integration Joint Board for the year ended 31 March 2019 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the North Ayrshire Integration Joint Board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the North Ayrshire Integration Joint Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the North Ayrshire Integration Joint Board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about North Ayrshire Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Risks of material misstatement**

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

### **Responsibilities of the Chief Finance Officer and North Ayrshire Integration Joint Board for the financial statements**

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the North Ayrshire Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The North Ayrshire Integration Joint Board is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Other information in the annual accounts**

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which we are required to report by exception**

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

## Use of our report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)

110 Queen Street

Glasgow

G1 3BX

United Kingdom

29 August 2019

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North Ayrshire Health and Social Care Partnership,  
Cunninghame House, Friars Croft, Irvine KA12 8EE

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NORTH AYRSHIRE  
Health and Social Care Partnership

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DIRECTOR (North Ayrshire Health & Social Care Partnership): Stephen Brown  
5<sup>th</sup> Floor West Wing, Cunninghame House, Friarscroft, Irvine KA12 8EE

Our Ref: PK/NAIJB/2019

29 August 2019  
Deloitte LLP  
110 Queen Street  
Glasgow  
G1 3BX

Our Ref: PK/NAIJB/2019

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of the North Ayrshire Integration Joint Board for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the North Ayrshire Integration Joint Board as of 31 March 2019 and of the results of its operations, other comprehensive net expenditure and its cash flows for the year then ended in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In addition to the above, this representation letter is provided in connection with your audit of the Management Commentary, Remuneration Report and Annual Governance Statement for the following purposes:

- Expressing an opinion on the auditable part of the Remuneration Report as to whether it has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- Expressing an opinion as to whether the information given in the Management Commentary is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- Expressing an opinion as to whether the information given in the Annual Governance Statement is consistent with the financial statements and that the report has been prepared in accordance with the Delivering Good Governance in Local Government Framework (2016).

I am aware that it is an offence to mislead an external auditor.

As Chief Finance and Transformation Officer and on behalf of the North Ayrshire Integration Joint Board, I confirm, to the best of my knowledge and belief, the following representations.

#### *Financial statements*

1. I understand and have fulfilled my responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code, which give a true and fair view, as set out in the terms of the audit engagement letter.
2. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland. We acknowledge our responsibilities for the design, implementation and operation of internal control to prevent and detect fraud and error.
3. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
4. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
5. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
6. The effects of uncorrected misstatements and disclosure deficiencies are immaterial, both individually and in aggregate, to the financial statements as a whole.
7. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the Board or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Board's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
8. We confirm that all of the disclosures within the Management Commentary, Remuneration Report and the Annual Governance Statement have been prepared in accordance with the relevant legislation and guidance.

#### *Information provided*

9. We have provided you with all relevant information and access.
10. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
11. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We are not aware of any fraud or suspected fraud that affects the entity and involves:
  - (i) management;
  - (ii) employees who have significant roles in internal control; or
  - (iii) others where the fraud could have a material effect on the financial statements.

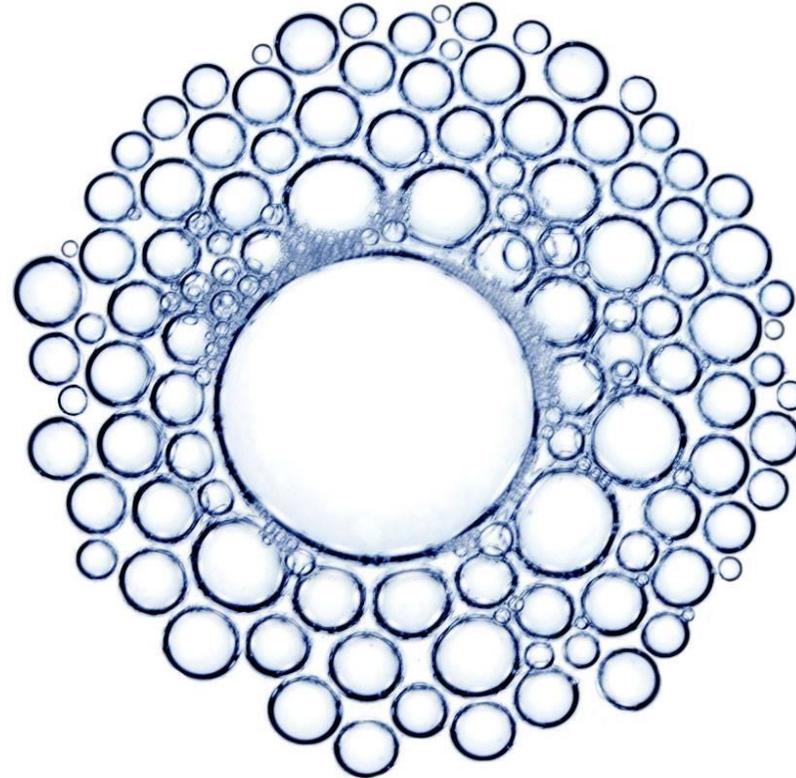
14. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
15. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements
16. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
17. No claims in connection with litigation have been or are expected to be received.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

**Signed as Chief Finance and Transformation Officer, and on behalf of the Board**





**North Ayrshire Integration Joint Board**

Report to the Members of the IJB and the Controller of Audit  
on the 2018/19 audit

Issued 6 August 2019 for the meeting on 29 August 2019

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# 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 Members of North Ayrshire Integration Joint Board ('the IJB' 'the Board') for the 2019 audit. The scope of our audit was set out within our planning report presented to the Performance and Audit Committee ('the Committee') in March 2019.

This report summarises our findings and conclusions in relation to:

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



# Introduction (continued)

## The key messages in this report (continued)

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

### **Conclusions from our testing**

Based on our audit work completed to date we expect to issue an unmodified audit opinion.

The management commentary and annual governance statement comply with the statutory guidance and proper practice and are consistent with the financial statements and our knowledge of the Board.

The auditable parts of the remuneration report have been prepared in accordance with the relevant regulation.

A summary of our work on the significant risks is provided in the dashboard on page 8.

No misstatements in excess of our reporting threshold of £187k or disclosure deficiencies have been identified up to the date of this report.

### **Status of the financial statements audit**

Outstanding matters to conclude the audit include:

- Journal entry testing;
- Finalisation of internal quality control procedures;
- Receipt of final financial statements;
- Receipt of signed management representation letter; and
- Our review of events since 31 March 2019.

### **Conclusions on audit dimensions**

As set out on page 3, our audit work covered the four audit dimensions. This incorporated the specific risks highlighted by Audit Scotland, in particular, the impact of EU withdrawal, the changing landscape for public financial management, dependency on key suppliers and increased focus on openness and transparency.

Our detailed interim report, presented to the Board in June 2019, set out our findings and conclusions on each dimension. We have updated this for any significant changes since that report and our overall conclusion on each dimension is summarised on pages 16-17.

# Introduction (continued)

## The key messages in this report (continued)

### Conclusions on audit dimensions (continued)

#### *Financial sustainability*

The IJB achieved short-term financial balance in 2018/19 and a balanced budget has been set for 2019/20; however, this includes significant efficiencies and service transformation programmes to be delivered.

It is positive that the IJB has started to repay the debt due to North Ayrshire Council arising from previous year overspends, albeit less than initially planned, with the remainder being repaid in future years.

In the medium term, the IJB is faced with a challenging financial position as the current level of service provision is not financially sustainable. In response to this, the Medium Term Financial Plan (MTFP) is due to be updated in 2019/20, with the Transformation Board driving the delivery of transformational change.

#### *Financial management*

Improvements have been made to the quality and frequency of financial monitoring reports and there is now an effective integrated budget monitoring arrangement in place. We have also noted that the financial management arrangements have strengthened during the year, including the reliability and accuracy of financial projections and financial processes.

There were variations between the financial projections and the year-end position resulting in less being repaid to North Ayrshire Council than was planned. The IJB has identified discrete areas of focus to improve financial projections in future years to ensure this situation does not re-cur.

#### *Governance and transparency*

The IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this.

It is positive to note that the Board, along with its NHS and Council partners, are reviewing and updating the governance arrangements for the IJBs to take cognisance of the experience from early integration.

#### *Value for money*

The IJB has a performance management framework in place, with performance regularly considered by management, and the Performance and Audit Committee. It clearly reports on its contribution towards the national outcomes through its quarterly and annual performance reports.

While there are some areas reporting a decline in performance, the Partnership Performance Reports set out how the IJB intends to address each area of under performance. In particular, there is a focus on trying to shift the balance of care from a hospital to a community setting.

Our conclusions are included on pages 8 to 17 of this report and also included in our interim report to the Board in June 2019.

We will consider progress with the agreed actions as part of our 2019/20 audit.

#### **Added value**

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

This is provided throughout this report and our separate interim report. In particular, our separate "Sector Developments" report, presented along with our interim report shared our research, informed perspective and best practice from our work across the wider public sector that are specifically relevant to the IJB.

# Our audit explained

## Area dimensions

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

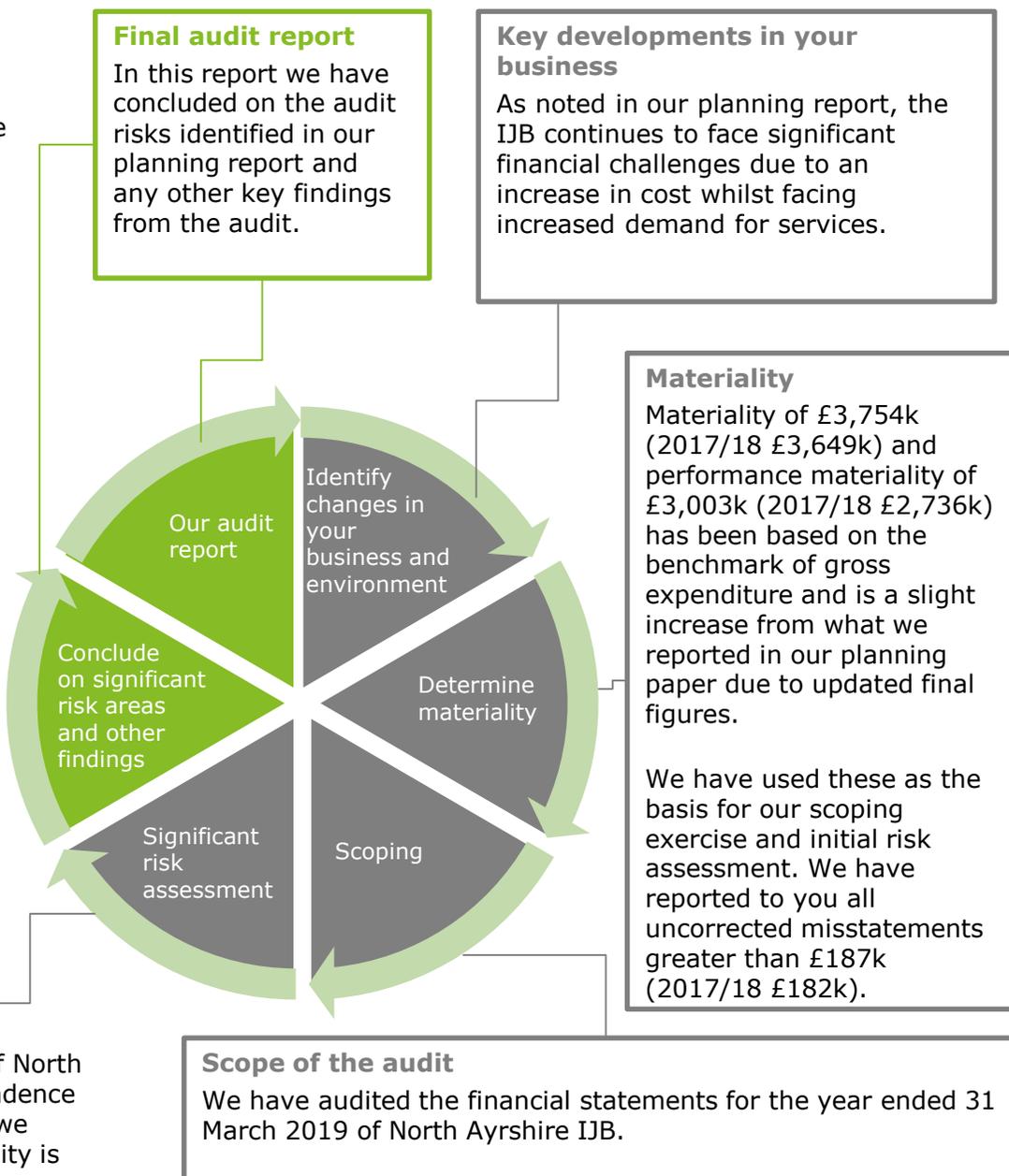
- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

## Significant risks

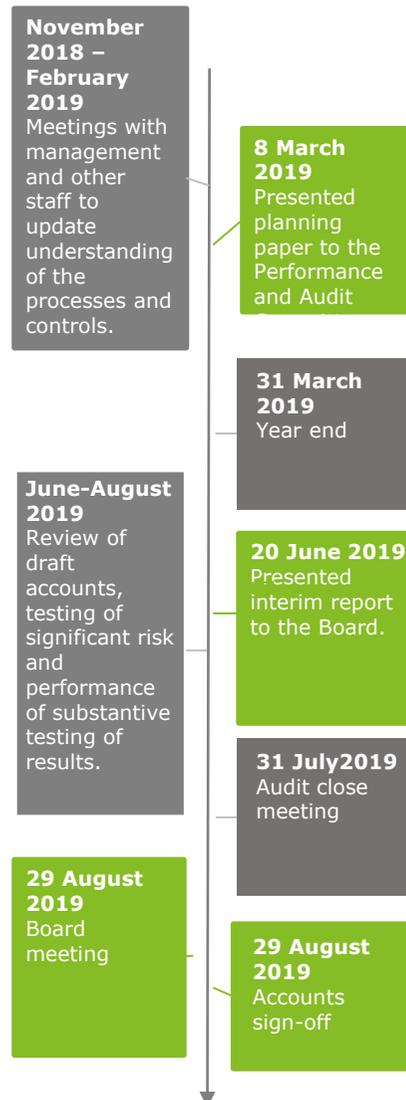
Our risk assessment process is a continuous cycle throughout the year. Page 8 provides a summary of our risk assessment of your significant risks.

## Quality and Independence

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



## Timeline 2018/19



# Financial statements audit



# Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Page no.
Completeness and accuracy of income			D+I	Satisfactory		Satisfactory	9
Management override of controls			D+I	Satisfactory		Satisfactory	10

Overly prudent, likely to lead to future credit



Overly optimistic, likely to lead to future debit.

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

# Significant risks (continued)

## Risk 1 – Completeness and accuracy of income

### Risk identified

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in income recognition, evaluate which types of income, income transactions or assertions give rise to such risks. The main components of income for the IJB are contributions from its funding partners, namely North Ayrshire Council (NAC) and NHS Ayrshire and Arran (NHS A&A). The significant risk is pinpointed to the recognition of this income, being completeness and accuracy of contributions received from North Ayrshire Council and NHS Ayrshire & Arran.



### Key judgements and our challenge of them

Given the year end deficit projected by the IJB, there is a risk that overspends could be funded by funding partners in the year following their approval, and therefore contributions could differ from the approved budget.



### Deloitte response

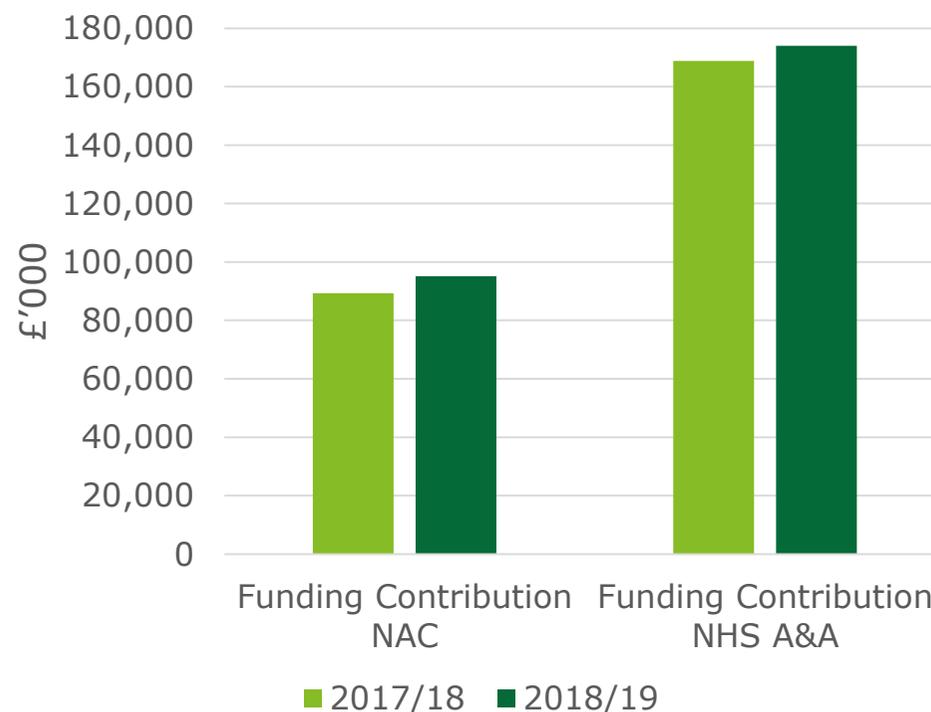
We have performed the following:

- tested the income to ensure that the correct contributions have been input and received in accordance with that agreed as part of budget process and that any reductions have been appropriately applied;
- tested the reconciliations performed by the IJB at 31 March 2019 to confirm all income is correctly recorded in the ledger;
- confirmed that the reconciliations performed during 2018/19 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 correctly recognised in accordance with the requirements of the Code of Practice on Local Authority Accounting.

### Funding Analysis



# Significant risks (continued)

## Risk 2 - Management override of controls

### Risk identified

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



### Key judgements

The key judgments in the financial statements are those which we have selected to be the significant audit risks around the completeness and accuracy of income (page 9). This is inherently the area in which management has the potential to use their judgement to influence the financial statements.



### 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 overspends in operational areas. This was closely monitored and whilst projecting overspends, the underlying reasons were well understood; and
- Senior management's remuneration is not tied to particular financial results.

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

### Significant and unusual transactions

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

### Journals

We have performed design and implementation testing of the controls in place for journal approval.

We have used data analytics to risk assess journals and select items for detailed follow up testing. The journal entries were selected using computer-assisted profiling based on areas which we consider to be of increased interest.

We have tested the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of financial reporting. No issues were noted based upon the work performed thus far.

### Accounting estimates

We reviewed the financial statements for accounting estimates which could include biases that could result in material misstatements due to fraud. No accounting estimates have been recognised in the financial statements.

We considered any adjustments required for the transition to the new standards (IFRS 15 Revenues from contracts with customers and IFRS 9 Financial Instruments), focusing on the areas of greatest judgement and value.

No issues have been identified from our testing.

### Deloitte view

We have not identified any significant bias in the key judgements made by management based on work performed.

We have not identified any instances of management override of controls in relation to the specific transactions tested based on work performed to date.

We agree with management's position that the new accounting standards do not have a material impact for the Board.

# Our audit report

## Other matters relating to the form and content of our report

Here we discuss how the results of the audit impact on other significant sections of our audit report.



### **Our opinion on the financial statements**

Based on our audit work completed to date, we anticipate issuing an unmodified opinion on the financial statements.



### **Material uncertainty related to going concern**

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

Whilst the IJB is faced with financial sustainability issues (discussed on page 16), the Code of Practice on Local Authority Accounting requires authorities to prepare its financial statements on a going concern basis unless there is an intention by government that the services provided by the authority will no longer be required.



### **Emphasis of matter and other matter paragraphs**

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

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



### **Other reporting responsibilities**

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

Our opinion on matters prescribed by the Controller of Audit are discussed further on pages 12-13.



# Your annual report

We are required to provide an opinion on the auditable parts of the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance..

	Requirement	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Board also focusses on the strategic planning context.	<p>We have assessed whether the Management Commentary has been prepared in accordance with the statutory guidance.</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>Our review identified a number of areas of good practice with the inclusion of graphics and tables to aid the user's understanding of the annual report and accounts.</p> <p>Our review identified a number of areas where the annual accounts needed revising in order to comply with statutory guidance and to ensure that they were fair, balanced and understandable. We are pleased to note that these changes have been made.</p> <p>We have made a number of recommendations for changes to the annual accounts in line with good practice. We have included elements of good practice for your consideration at page 13.</p>
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of the Chief Officer and Chief Finance Officer.	We have audited the disclosures of remuneration and pension benefits, 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 the IJB's governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions noted.

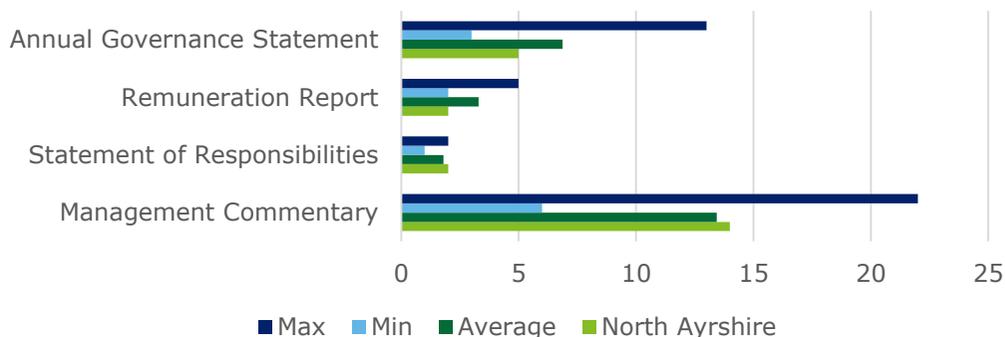
# Your annual report (continued)

## Good practice note – improving quality of annual accounts

Audit Scotland have issued a series of Good Practice notes to highlight where Annual Reports can be improved. One specifically directed at Integration Joint Boards was published in April 2018. We have highlighted below some of the key messages from this guidance note and pleased to note that a number of areas have been considered in drafting the 2018/19 annual accounts and would encourage the Board to consider further areas of good practice in future annual accounts.

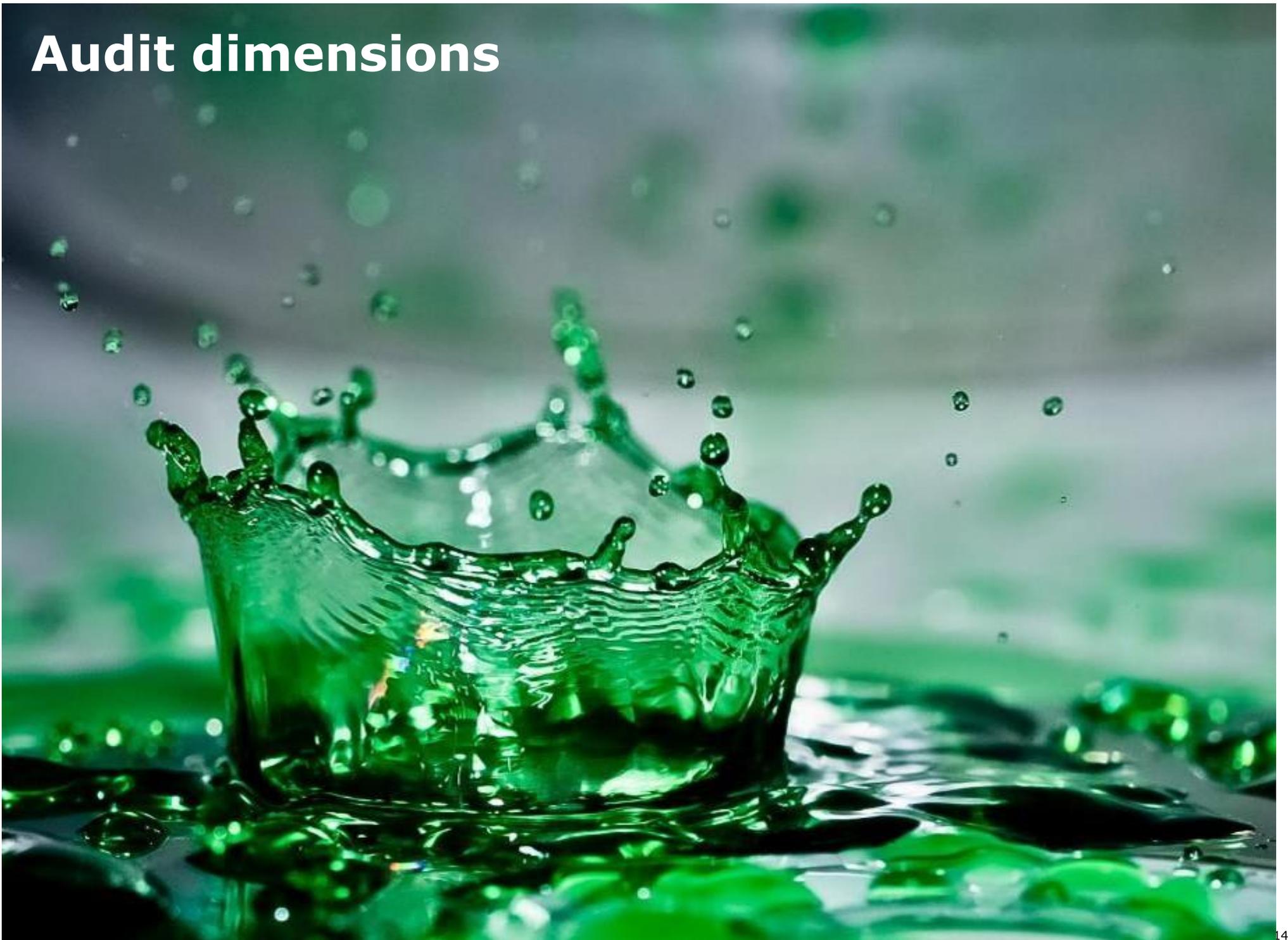
We have also benchmarked the length of the draft 2018/19 annual report against other IJBs. North Ayrshire Council sits around the average length, however, minor improvements could be made in the content including the removal of all zero balances and the inclusion of an action plan outlining how the prior year's significant risks were addressed during the year.

Length of narrative benchmarking



Key messages		
A single story	<ul style="list-style-type: none"> <li>The narrative in the management commentary and annual governance statement should be consistent with the accounting information in the financial statements.</li> <li>Significant points in the financial statements should be explained in the management commentary.</li> </ul>	G
How funding was used	<ul style="list-style-type: none"> <li>The management commentary should give a clear and balanced account of how funding was used.</li> <li>Explanations of the IJB's business model should be provided.</li> <li>The salient features of the IJB's performance and position should be explained in a balanced way.</li> </ul>	G
What worries board members	<ul style="list-style-type: none"> <li>The risks and uncertainties described in the management commentary should genuinely be the principal risks and uncertainties that the board members are concerned about.</li> <li>The descriptions should be sufficiently specific that users can understand why they are important to the board members.</li> <li>The management commentary and annual governance statement should describe the mitigating actions to manage the impact of the principal risks and uncertainties and significant governance weaknesses. The links to accounting estimates and judgements should be clear.</li> </ul>	G
Consistency	<ul style="list-style-type: none"> <li>Highlighted or adjusted figures, key performance indicators and other measures referred to in the management commentary should be clearly reconciled to the relevant amounts in the financial statements.</li> <li>Any adjustments to the figures in the management commentary should be clearly explained, together with the reasons why they are being made.</li> </ul>	G
Cut the clutter	<ul style="list-style-type: none"> <li>Important messages, policies and transactions should be highlighted and supported with relevant context and not obscured by immaterial detail.</li> <li>Cross-referencing and signposting should be used effectively, and repetition avoided.</li> </ul>	G
Summarise	<ul style="list-style-type: none"> <li>Items should be reported at an appropriate level of aggregation.</li> <li>Tables should be supported by, and consistent with, the accompanying narrative.</li> </ul>	G
Explain change	<ul style="list-style-type: none"> <li>Significant changes from the prior period, whether matters of policy or presentation, should be properly explained</li> </ul>	G
True and fair	<ul style="list-style-type: none"> <li>The spirit as well as the letter of proper accounting practices should be followed.</li> </ul>	G

# Audit dimensions



# Audit dimensions

## Overview

Public audit in Scotland is wider in scope than financial audit. This section of our report sets out our conclusions on our audit work covering the following area, with our detailed findings and conclusions reported to the Board in June 2019 as part of our [Interim Report](#). Our report is structured in accordance with the **four audit dimensions**, but also covers our specific audit requirements on best value and specific risks as summarised below.



### Audit Dimensions

#### Best Value (BV)

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

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

#### Specific risks

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

- EU Withdrawal
- Changing landscape for public financial management
- Dependency on key suppliers
- Openness and transparency

- Our conclusions on the above were reported in our [Interim Report](#) to the Board in June.

# Audit dimensions (continued)

## Financial sustainability and financial management

**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.

### Key facts:

#### 2018/19 financial position

- £945k underspend against budget after £1,486k being transferred back from North Ayrshire Council which was held on the IJB's behalf.
- £668k repayment to North Ayrshire Council during 2018/19 with outstanding debt of £5,139k as at 31 March 2019.

#### 2019/20 financial position

- £6,134k savings required.

### Overall conclusions

The IJB achieved short-term financial balance in 2018/19 and commenced repayment of the historic debt outstanding to North Ayrshire Council. A balanced budget has been set for 2019/20; however, this includes significant efficiencies and service transformation programmes that need to be achieved in order for a balanced budget to be maintained.

In the medium term, the IJB is faced with an extremely challenging financial position as the current level of service provision is not financially sustainable. The Transformation Board has been established to drive the delivery of transformational change at the required scale and pace to set the direction for the Strategic Plan 2018-21. A Medium Term Financial Plan is in place covering the period 2017/18 to 2019/20, which sets out the key demand pressures and funding assumptions over the five year period. This is due to be updated in 2019/20 and should take account of issues set out in the Scottish Government's five-year Medium Term Financial Strategy, its Health and Social Care Medium Term Financial Framework and the work of the Transformation Board.

As part of the 2019/20 transformation programme, the IJB are launching a "Thinking Different, Doing Better" programme aimed at educating staff and the wider public on the role of the partnership and of the case for change. This is a significant commitment but should be highlighted as a good practice example of engaging with key stakeholders to inform future decision making and drive towards shifting the balance of care from a hospital to a community setting.

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

### Key facts:

#### 2018/19 budget

- Final budgeted expenditure of £267,909k, against actual expenditure of £268,211k.
- Savings of £4,043k achieved, against a savings requirement of £6,615k.
- Overspends reported during the year.
- Regular reporting to senior management and board members.

### Overall conclusions

The IJB achieved an underspend of £945k in 2018/19, after £1,486k is transferred back from North Ayrshire Council which was held on behalf of the IJB. The IJB repaid a sum of £668k towards the outstanding debt to the Council. It was envisaged that during the year the first instalment of the repayment would be £1,500k; however, a surplus of that value was not generated due to variations between projections and actual costs at the financial year-end. The IJB has identified discrete areas of focus to improve financial projections in future years to ensure this situation does not re-cur.

The final outturn position is a significant improvement on the overspend position that was expected earlier in the year, particularly given historical overspends in previous years. Improvements have been made to the quality and frequency of financial monitoring reports and there is now an effective integrated budget monitoring arrangement in place. The appointment of the Chief Finance and Transformation Officer has been pivotal in the significant improvement of the IJB's financial position.

It is positive to note that work is ongoing nationally, with Ayrshire and Arran acting as the test area for further work to be on Directions/ Set Aside resources as part of the national Review of Progress of Integration of Health and Social Care.

# Audit dimensions (continued)

## Governance and transparency and value for money

**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.

### Key facts:

- **Strategic Plan 2018-2021 approved in April 2018.**

### Overall conclusions

In general, the IJB has a good attitude to openness and transparency and there is a supportive culture that underpins this. This could be further enhanced by publishing the papers and minutes of the Performance and Audit Committee online.

There are a number of key governing documents which have not been reviewed or refreshed by the Board since 2015. A schedule of key governance documents including review timescales and responsible officers were submitted to the Performance and Audit committee in June 2019. Thereafter progress with document reviews will be monitored through the Performance and Audit Committee.

It is positive to note that the Board, along with its NHS and Council partners, are reviewing and updating the governance arrangements for the IJBs to take cognisance of the experience from early integration.

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

### Key facts:

- **Between April 2018 and December 2018 overall performance has declined. There has been an increase in the number of 'red' indicators reported from 5 to 10.**

### Overall conclusions

Best Value duties apply to accountable officers across the public sector. One of the key principles of the IJB integration scheme is making best use of public money by providing services that are efficient, effective and sustainable, and best value is a visible theme throughout IJB reports. One mechanism for the IJB ensuring Best Value is through the preparation of the annual performance report; the report assesses performance in relation to best value.

The IJB has a performance management framework in place, with performance regularly considered by management and the Performance and Audit Committee. It clearly reports on its contribution towards the national outcomes through its quarterly and annual performance reports.

While there is a decline in performance in some areas, the Partnership Performance Reports set out how the IJB intends to address each area of underperformance. In particular, there is a focus on trying to shift the balance of care from a hospital to a community setting.

The budget also recognises the need to link expenditure to outcomes, but there is still a need to improve the links between budget and outcomes.

# Appendices



# Purpose of our report and responsibility statement

## Our report is designed to help you meet your governance duties

### What we report

Our report is designed to help the Board discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 (UK) 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.

### 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 again in this report.

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

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



**Pat Kenny**

for and on behalf of Deloitte LLP  
Glasgow

6 August 2019

# Audit adjustments

## Summary of corrected and uncorrected misstatements and disclosure deficiencies

### **Corrected misstatements**

No other corrected misstatements have been identified from our audit work performed to date.

### **Uncorrected misstatements**

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

### **Disclosure misstatements**

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

# Action plan

## Recommendations for improvement

We have not made any recommendations for improvement arising from our financial statements audit. Our interim report submitted to the Board in June 2019 reported our detailed recommendations arising from our work on the wider audit dimensions. In this report, we made seven recommendations, as follows:

<b>Wider audit dimension</b>	<b>Recommendations made</b>
Financial sustainability	3
Financial management	1
Governance and transparency	3

We will follow up these recommendations and report to the Committee on progress as part of our 2019/20 audit.

In our interim report, we followed up on recommendations for improvement made in 2017/18. A summary of progress against 2017/18 actions has been included below. Of the three recommendations outstanding, all have an updated recommendation included above. Consequently, there are seven total recommendations which we will follow up in our 2019/20 audit.

<b>Area</b>	<b>Recommendations made</b>	<b>Recommendations implemented</b>
Financial statements	-	-
Financial sustainability	3	1
Financial management	1	1
Governance and transparency	3	2

# 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 completeness and accuracy of income and management override of controls as key audit risks 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 Performance and Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

### Concerns:

No concerns have been identified regarding fraud.



# Independence and fees

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

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**Independence confirmation** We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.

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**Fees** The audit fee for 2018/19, in line with the fee range provided by Audit Scotland, is £25,000 as broken down below:

	£
Auditor remuneration	17,200
Audit Scotland fixed charges:	
Pooled costs	1,670
Contribution to PABV	5,050
Audit support costs	1,080
<b>Total agreed fee</b>	<b>25,000</b>

No non-audit fees have been charged by Deloitte in the period.

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**Non-audit services** In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

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**Relationships** 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.

We are not aware of any relationships which are required to be disclosed.

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