



**Clackmannanshire
Council**



A meeting of the **Audit Committee**
will be held on
1 September 2016 at 2 PM
in **Suite 2, NHS Forth Valley HQ, Carseview House, Stirling**
Chair: John Ford, Vice Chair of Clackmannanshire and Stirling IJB

Please notify apologies for absence to Tamara Armour, tamara.armour@nhs.net or on 01786 434403

AGENDA

- 1. Welcome and Introduction**
Mr John Ford, Chair of Audit Committee
- 2. Terms of Reference and Membership (re attach IJB paper)**
Paper by Ewan Murray, Chief Finance Officer For Noting
- 3. Consideration of Any Requirement for Additional Officers to Attend Audit Committee**
For Discussion
- 4. Annual Internal Audit Report**
Paper by Kevin O' Kane, Chief Internal Auditor For Noting and Approval
- 5. Internal Audit Plan**
Paper by Kevin O'Kane, Chief Internal Auditor For Approval
- 6. Financial Assurance Report**
Paper by Kevin O'Kane, Chief Internal Auditor For Noting
- 7. Unaudited 2015/16 Accounts**
Paper by Ewan Murray, Chief Finance Officer For Noting
- 8. External Auditors Report**
Verbal Report by Grant Thornton, External Auditors For Noting
- 9. Support and Development Requirements for Audit Committee Members**
For Discussion
- 10. AOCB**
- 11. Frequency of Meetings and Date of Next Meeting**
For Discussion

Clackmannanshire & Stirling
Audit Committee

This paper was approved by the Integration Joint Board
at its June 2016 meeting

This report relates to
Item 2 on the agenda

Audit Committee

*(Paper presented by Ewan C. Murray, Chief Finance
Officer)*

For Approval

Approved for Submission by	Shiona Strachan, Chief Officer
Author	Ewan C. Murray, Chief Finance Officer
Date:	22 June 2016
List of Background Papers:	
Integrated Resourcing Advisory Group Guidance	

Title/Subject: **Audit Committee**
Meeting: **Clackmannanshire & Stirling Integration Joint Board**
Date: **22 June 2016**
Submitted By: **Ewan C. Murray, Chief Finance Officer**
Action: **For Approval**

1. Introduction

1.1 The Board discussed at its meeting of 30 March 2016 the establishment of an Audit Committee. The purpose of this paper is to bring forward proposals for establishment, membership and terms of reference for the Audit Committee.

2. Recommendations

The Integration Joint Board is asked to:

- 2.1. Approve the establishment of an Audit Committee
- 2.2. Appoint the Vice-Chair of the Integration Joint Board as chairperson of the Audit Committee. The chairperson would be counted as one of the voting members from NHS Forth Valley
- 2.3. Consider and approve the draft terms of reference (appendix 1) including agreement of Chairperson and membership of the Audit Committee

3. Background

- 3.1. The Public Bodies (Joint Working) (Scotland) Act 2014 establishes the framework for Integration of Health and Social Care in Scotland. The Scottish Government established the Integrated Resources Advisory Group (IRAG) to develop professional guidance. This guidance outlines that it is the responsibility of the Integration Joint Board to make appropriate and proportionate arrangements for consideration of the audit provision and annual financial statements which are compliant with good practice governance standards in the public sector.
- 3.2. The Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 empowers the IJB to establish committees but, at the same time, sets out some limitations on this power. In relation to membership of committees the Order states "A committee established under paragraph (1) must include voting members, and must include an equal number of the voting members appointed by the Health Board on the one hand and the local authority or, as the case may be, local authorities, on the other hand."
- 3.3. The order states that membership must include voting members, it does not prescribe that it may not also include non voting members.

- 3.4. The Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 further states that any decision must be agreed by a majority of votes of the voting members who are members of the committee.

4. Conclusions

- 4.1. Whilst there is no legal obligation on the Integration Joint Board to establish an audit committee it is considered good practice given the level of resource falling under its span of responsibilities and the associated complexities and risks.

5. Resource Implications

- 5.1. Within existing resources.
- 5.2. If approved the Integration Joint Board Standing Orders will require to be updated to reflect the Audit Committee.

6. Impact on Integration Joint Board Outcomes, Priorities and Outcomes

- 6.1. No direct impact. However good governance systems will assist in achieving Best Value from deployment of resources available.

7. Legal & Risk Implications

- 7.1. The establishment of an audit committee is not a legal obligation. It is, however, considered to be good practice and should assist in identifying and mitigating risk.

8. Consultation

- 8.1. The draft remit for the committee has been the subject of discussion between the Chief Finance Officer, Chief Officer, Chief Internal Auditor for the Integration Joint Board, and officers of the constituent authorities.

9. Equality and Human Rights Impact Assessment

- 9.1. It is considered that no equality issues arise from the decision sought from the IJB by this report.

10. Exempt reports

- 10.1 Not exempt.

Appendix 1

CLACKMANNANSHIRE AND STIRLING HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD (IJB) AUDIT COMMITTEE DRAFT TERMS OF REFERENCE

Constitution

The IJB shall appoint the Committee. The Committee should agree the professional advisors it requires on a regular and adhoc basis. The Committee is required to review its terms of reference on an annual basis.

The Committee will meet at least twice per annum. The Committee will be supported and serviced by the Chief Finance Officer. The Audit Committee will report to the Integration Joint Board

Chairperson

The Integration Joint Board shall appoint the Chairperson of the Committee who will be one of the voting members of the Committee.

Membership

The Integration Joint Board shall appoint the membership of the Committee. It is proposed the membership consists of four voting members with one being from each of Clackmannanshire Council and Stirling Councils and two being from NHS Forth Valley plus two non-voting members.

Quorum

3 of the voting members being present will constitute a quorum.

Functions Referred

The following functions of the Integration Joint Board shall stand referred to the Audit Committee –

1. Assess the adequacy and effectiveness of the Integration Joint Board's internal controls and corporate governance arrangements and consider the annual governance reports and assurances to ensure that the highest standards of probity and public accountability are demonstrated;
2. Ensure existence of and compliance with an appropriate Risk Management Strategy. Review risk management arrangements and receive regular risk management updates and reports;
3. Review and approve the Internal Audit Annual Plan on behalf of the Integration Joint Board, receive reports and oversee and review progress on actions taken on audit recommendations and report to the Integration Joint Board on these as appropriate;
4. Consider the External Audit Annual Plan on behalf of the Integration Joint Board, receive reports and consider matters arising from these and management actions identified in response before submission to the Integration Joint Board; The Audit Committee may also consider relevant national audit reports particularly those relating to Health and Social Care Integration from Audit Scotland.
5. Consider annual financial accounts and related matters before submission to and approval by the Integration Joint Board; and

6. The committee is responsible for ensuring best value for those delegated functions.

7. The Committee is authorised by the Integration Joint Board to investigate any activity within its terms of reference, and in so doing, may seek any information it requires.

Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

1 September 2016

This report relates to
Item 4 on the agenda

Internal Audit Annual Report 2015/16

(Paper presented by Kevin O’Kane)

For Noting

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Kevin O’Kane, Chief Internal Auditor
Date:	19 August 2016
List of Background Papers:	
	Integration Joint Board, 24 February 2016 – Provision of Internal Audit Integration Joint Board, 27 April 2016 – Appointment of Chief Internal Auditor

Title/Subject: Internal Audit Annual Report 2015/16
Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee
Date: 1 September 2016
Submitted By: Kevin O’Kane, Chief Internal Auditor
Action: For Noting

1. Introduction

- 1.1 The Internal Audit Annual Report 2015/16 is submitted to the Audit Committee to comply with the requirements of Public Sector Internal Audit Standard 2450 (Overall Opinions) by providing the Committee with an annual report on Internal Audit activity. This is timed to support the preparation and consideration of the Integration Joint Board’s draft Annual Governance Statement.
- 1.2 The Annual Governance Statement, which is part of the Integration Joint Board’s audited annual financial statements, should draw attention, if required, to any specific areas where the Integration Joint Board needs to improve financial controls, operational controls or broader governance arrangements.
- 1.3 The Internal Audit Annual Report 2015/16 is attached at Appendix 1, and is submitted to the Audit Committee for information and consideration. It will be submitted to the Integration Joint Board on 21 September 2016.

2. Executive Summary

- 2.1. Overall, the Internal Audit Annual Report 2015/16 concludes that:
 - the Integration Joint Board had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16; and,
 - there are no concerns around the consistency of the Annual Governance Statement with information that I am aware of from my work.
- 2.2. Our evaluation of the Integration Joint Board’s governance framework has identified planned improvements for 2016/17 as well as further issues for consideration by the Integration Joint Board and the Chief Officer. We recommend that an action plan setting out a timetable for implementation is drawn up by officers and approved and monitored by the Integration Joint Board or the Audit Committee.
- 2.3. I also draw particular attention to the need for the Integration Joint Board to ensure that a full Scheme of Delegation is finalised and implemented, without undue delay, in order to support the effective delivery of the Strategic Plan and ensure that the broader aims of the Integration process are achieved for people in Clackmannanshire and Stirling.

3. Recommendations

The Audit Committee is asked to consider this report and:

- 3.1. note the contents of paragraphs 1.5 and 3.4 of the Annual Report, prepared to support the Integration Joint Board's Annual Governance Statement, which is incorporated in the draft Annual Accounts to 31 March 2016;
- 3.2. note and make any comments on the Action Plan at page 9 of the Annual Report; and,
- 3.3. endorse the Internal Audit Annual Report 2015/16 attached at Appendix 1.

4. Background

- 4.1. The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Chief Internal Auditors agreed that Stirling Council's Audit Manager should be nominated as Chief Internal Auditor for the initial three-year period, covering the financial years up to 31 March 2019, and this was approved by the Integration Joint Board on 27 April 2016.
- 4.2. The UK Public Sector Internal Audit Standards (PSIAS) govern the work of the Integration Joint Board's Internal Audit service. The teams that provide the Internal Audit service comply with these.
- 4.3. Public Sector Internal Audit Standard 2450 (Overall Opinions) requires the Chief Internal Auditor to provide the Audit Committee with an annual report timed to support the Annual Governance Statement.

5. Internal Audit Annual Report 2015/16

- 5.1. The Internal Audit Annual Report covers the period from 1 April 2015 to 31 March 2016 and has been prepared to meet the requirements of Public Sector Internal Audit Standard 2450 by reporting:
 - the annual internal audit opinion on the overall adequacy and effectiveness of the Integration Joint Board's governance, risk management and control framework (i.e. the internal control environment);
 - a summary of the internal audit work from which that opinion is derived (including reliance placed on any work carried out by other assurance providers); and,
 - a statement of internal audit conformance with the Public Sector Internal Audit Standards.

- 5.2. This report helps to provide the Integration Joint Board and its Audit Committee with independent assurance on the adequacy of the risk management framework and internal control environment, and the integrity of the financial reporting and annual governance processes in operation during the period under review. The report is a key part of the Integration Joint Board's arrangements to inform the preparation of the Annual Governance Statement, along with other sources of assurance that the Integration Joint Board may rely upon, including reports from the external auditor and other national inspection agencies and bodies.
- 5.3. I can provide assurance, based on the work described in section 3 of the Annual Report, in respect of the key arrangements in place as at 31 March 2016, as well as ongoing and planned work in 2016/17. While those arrangements are in line with the progress that I expected to be in place at this stage of the Integration Joint Board's development, I also recommend further issues for consideration by the Integration Joint Board and the Chief Officer.
- 5.4. I would draw particular attention to the need for the Integration Joint Board to ensure that a full Scheme of Delegation is finalised and implemented, without undue delay, in order to support the effective delivery of the Strategic Plan and ensure that the broader aims of the Integration process are achieved for people in Clackmannanshire and Stirling.

6. Conclusions

- 6.1. Overall, the Annual Report concludes that:
- the Integration Joint Board had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16; and,
 - there are no concerns around the consistency of the Annual Governance Statement with information that I am aware of from my work.
- 6.2. The Annual Report contains an Action Plan that has been agreed with officers. Internal Audit will monitor and report on agreed actions as part of our annual programme of work.

7. Resource Implications

- 7.1. The agreed Action Plan contained in the Annual Report contains actions that, while they may not result directly in additional financial costs, will require input from the Integration Joint Board and its officers. It is also likely to require input, in terms of support services, from the constituent authorities.

8. Impact on Integration Joint Board Priorities and Outcomes

- 8.1. An Internal Audit service, including provision of an Annual Internal Audit Report, is one of the key components of good corporate governance. The actions agreed as part of that Report's Action Plan should strengthen the Integration Joint Board's governance, risk management and control framework.

9. Legal & Risk Implications

- 9.1. The Internal Audit Annual Report 2015/16, timed to support the Audit Committee's consideration of the Integration Joint Board's Annual Governance Statement, helps to ensure that the Integration Joint Board complies with The Local Authority Accounts (Scotland) Regulations 2014.
- 9.2. Completion of the actions outlined in the Annual Report's Action Plan will help to mitigate the Integration Joint Board's Governance risks.

10. Consultation

- 10.1. The Chief Internal Auditor provided a consultative draft of the Internal Audit Annual Report 2015/16 to the Chief Officer, Chief Finance Officer and Programme Manager. Their responses were considered in the finalisation of the Report.

11. Equality and Human Rights Impact Assessment

- 11.1. N/A.

12. Exempt reports

- 12.1. Not exempt.



**Clackmannanshire
Council**



CLACKMANNANSHIRE & STIRLING INTEGRATION JOINT BOARD

ANNUAL INTERNAL AUDIT REPORT 2016/17

Prepared by Kevin O'Kane FCCA, Chief Internal Auditor

19 August 2016

Issued to

Shiona Strachan

Ewan Murray

Chief Officer

Chief Finance Officer

Copied to (final only)

External Audit

Clackmannanshire & Stirling
Integration Joint Board

1. INTRODUCTION AND CONCLUSION

- 1.1 This annual report provides my opinion, in my capacity as the Chief Internal Auditor of the Clackmannanshire and Stirling Integration Joint Board, on the Integration Joint Board's framework of governance, risk management and control ('the internal control environment') in respect of the financial year 2015/16.
- 1.2 The Public Sector Internal Audit Standards require that the Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the Integration Joint Board to inform its annual governance statement. That opinion must conclude on the overall adequacy and effectiveness of the Integration Joint Board's framework of governance, risk management and control.
- 1.3 My review of the internal control environment for 2015/16 is based on the responsibilities of the Integration Joint Board in that year. The Integration Joint Board did not have operational responsibility during the year. Formal transfer of functions took place on 1 April 2016.
- 1.4 The Integration Joint Board has produced a draft Annual Governance Statement for 2015/16, which notes that:
- the process of developing the Integration Joint Board's governance framework was ongoing throughout 2015/16, and this will continue into 2016/17;
 - while there remain a number of areas of governance that are work in progress, it is the view of the Chief Officer and Chairperson that, at the end of the March 2016, the progress with governance arrangements was sufficient to allow the Integration Joint Board to successfully take on its agreed responsibilities. It is also the accepted position of the Chief Officer and Chairperson that a number of reviews and revisions will be required to Integration Joint Board governance arrangements during 2016/17; and,
 - reasonable assurance can be placed upon the adequacy and effectiveness of Integration Joint Board's systems of governance and that the development of governance arrangements to date demonstrates compliance with generally accepted standards of good corporate governance. It is also noted that the Integration Joint Board fully expects to review and continue to develop its systems of governance during 2016/17 to reflect developments in 2016/17 and further shared learning as part of a process of continuous improvement.
- 1.5 I have concluded, based on the evidence available and work undertaken, that:
- the Integration Joint Board had adequate and effective internal controls in place proportionate to its responsibilities in 2015/16; and,
 - there are no concerns around the consistency of the Annual Governance Statement with information that I am aware of from my work.

2. BACKGROUND

- 2.1 The Order establishing the Clackmannanshire & Stirling Integration Joint Board came into effect on 3 October 2015, establishing the Integration Joint Board legally from that date.
- 2.2 The Integration Joint Board approved the appointment processes for the Chief Officer and Chief Finance Officer in November 2014 and May 2015, respectively. The

appointment of the Chief Officer was subsequently announced in March 2015, the post being taken up in July 2015. The Interim Chief Finance Officer was appointed for an initial 12-month period from October 2015. The Chief Officer and Chief Financial Officer do not have operational responsibilities, with operational models being controlled within the individual parties.

- 2.3 The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Chief Internal Auditors agreed that Stirling Council's Audit Manager should be nominated as Chief Internal Auditor for the initial three-year period, covering the financial years up to 31 March 2019, and this was approved by the Integration Joint Board on 27 April 2016.
- 2.4 The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Institute of Internal Auditors (IIA) issued UK Public Sector Internal Audit Standards (PSIAS), effective from 1 April 2013 and revised in April 2016, which govern the work of the Integration Joint Board's Internal Audit Service. I can confirm that the Internal Audit teams for each of the constituent authorities declare compliance with the Public Sector Internal Audit Standards.
- 2.5 PSIAS 2450 (Overall Opinions) requires the Chief Internal Auditor (the 'Chief Audit Executive' in terms of the PSIAS) to provide the Integration Joint Board with an annual report that is timed to support its Annual Governance Statement. The CIPFA framework on Delivering Good Governance in Local Government also recognises that an effective internal audit function is a significant source of assurance on the effectiveness of the governance framework.
- 2.6 This report covers the period from 1 April 2015 to 31 March 2016 and has been prepared to meet the requirements of PSIAS 2450 by reporting:
- the annual internal audit opinion on the overall adequacy and effectiveness of the Integration Joint Board's governance, risk management and control framework (i.e. the internal control environment);
 - a summary of the internal audit work from which that opinion is derived (including reliance placed on any work carried out by other assurance providers); and,
 - a statement of internal audit conformance with the PSIAS.
- 2.7 The Integrated Resources Advisory Group (IRAG), established by the Scottish Government to develop professional guidance, outlines the responsibility of the Integration Joint Board to establish adequate and proportionate internal audit arrangements for review of the adequacy of the arrangements for risk management, governance and control of the delegated resources.
- 2.8 The IRAG guidance also sets out the Integration Joint Board's responsibility for preparing an annual governance statement that outlines, among other matters, the Integration Joint Board's further responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.
- 2.9 This report helps to provide the Integration Joint Board with independent assurance on the adequacy of the risk management framework and internal control environment, and the integrity of the financial reporting and annual governance processes in operation during the period under review. The report is a key part of the Integration Joint Board's arrangements to inform the preparation of the Annual Governance

Statement, along with other sources of assurance that the Integration Joint Board may rely upon, including reports from the external auditor and other national inspection agencies and bodies.

- 2.10 Internal Audit should not be seen as a substitute for internal control, which is primarily a management responsibility. Internal Audit activity is planned to provide assurance on the Integration Joint Board's control environment to its members and senior officers, and to enable an audit opinion on the adequacy and effectiveness of the internal control framework to be given by the Chief Internal Auditor.

3. INTERNAL CONTROL FRAMEWORK

- 3.1 My work in respect of 2015/16, in partnership with the Internal Audit services of each of the constituent authorities, considered compliance with the national guidance on Integration Financial Assurance. I found that the financial assurance processes undertaken had been adequate and appropriate, including in terms of compliance with the national guidance.
- 3.2 During the year, Internal Audit has also provided advice on the establishment of an Audit Committee, and chaired a sub-group of the Finance Workstream looking at various aspects of financial governance, including Financial Regulations, the reserves strategy and internal audit arrangements for the Integration Joint Board.
- 3.3 My assessment of the internal control framework is based on the evidence-based completion, with officer assistance, of a governance checklist that is based on requirements of the Integration Scheme, guidance issued by the Scottish Government to support Health and Social Care Integration, and best practice. Internal Audit validated the assessments reached through discussion with officers and examination of the supporting evidence and documentation.
- 3.4 I can provide assurance, based on the work described above, in respect of the following key arrangements in place as at 31 March 2016, as well as ongoing and planned work in 2016/17. While those arrangements are in line with the progress that I expected to be in place at this stage of the Integration Joint Board's development, I also recommend further issues for consideration by the Integration Joint Board and the Chief Officer. I would draw particular attention to the need for the Integration Joint Board to ensure that a full Scheme of Delegation is finalised and implemented, without undue delay, in order to support the effective delivery of the Strategic Plan and ensure that the broader aims of the Integration process are achieved for people in Clackmannanshire and Stirling.

Corporate Governance

- 3.5 Key arrangements in place as at year end 2015/16
- The Integration Scheme was approved by the Cabinet Secretary for Health, Wellbeing and Sport, and was laid before Parliament prior to coming into effect on 3 October 2015.
 - The Chief Officer was appointed in March 2015, taking up post in July 2015.
 - An Interim Chief Finance Officer took up post in October 2015.
 - The Integration Joint Board approved:

- Standing Orders (October 2015, and amended in March 2016);
 - a Participation & Engagement Strategy (February 2016)
 - Financial Regulations (March 2016);
 - a Performance Management Framework, cognisant of best value obligations (March 2016);
 - a Risk Management Strategy (March 2016).
- A Strategic Planning Group is in place, and a 3-year Strategic Plan was approved in March 2016 following consultation as set out in a published Consultation & Engagement Report. The Strategic Plan establishes three Localities: Clackmannanshire; Rural Stirling; and, Stirling City with the Eastern Villages, Bridge of Allan and Dunblane.
 - Directions were formally issued to the parties in March 2016 to deliver the integrated services and discharge the statutory functions delegated to the Integration Joint Board under the Integration Scheme.
 - A Delegation of Authority was approved in March 2016, as an interim arrangement to assist with the implementation and furtherance of Integration Joint Board business between Board meetings, pending a full Scheme of Delegation.
 - The Integration Joint Board approved the provision of an Internal Audit service by the partners' Internal Audit teams, including the 3-yearly rotation of the Chief Internal Auditor post, in February 2016. The appointment of Stirling Council's Audit Manager as Chief Internal Auditor for financial years up to and including 2018/19 was subsequently approved in April 2016.
 - The Integration Joint Board considered two Audit Scotland reports on Health & Social Care Integration, including recommendations for action, in January and May 2016.

3.6 Developments in 2016/17 (in place or planned)

- A full Scheme of Delegation is to be considered by the Integration Joint Board once the allocation of operational responsibilities has been further developed.
- A Code of Conduct for Members of the Integration Joint Board was adopted in June 2016 (this remains subject to approval by the Scottish Government), and the Standards Commission for Scotland has approved the Integration Joint Boards' appointment of a Standards Officer.
- The Forth Valley-wide Performance & Measurement workstream group continues to meet in order to further develop performance arrangements, including annual report arrangements and the implementation of the Performance Management Framework.
- The Strategic Planning Working Group will continue to develop locality plans during 2016/17. A process for developing these was approved by the Integration Joint Board in June 2016.
- Baseline performance data is being established and agreed in order to support the effective implementation of the Performance Management Framework.
- A draft Annual Governance Statement has been prepared for 2015/16 as part of the annual accounts process and is planned to be presented to the Integration Joint Board in September 2016.

- The establishment, membership and terms of reference of the Audit Committee were approved by the Integration Joint Board in June 2016.
- The Board and the Audit Committee will consider a draft annual Internal Audit Plan for 2016/17 in September 2016.
- Financial reporting arrangements will be developed and agreed.
- A Strategic Risk Register has been developed and was first reported to the Integration Joint Board by the Chief Officer in June 2016.
- Further work is required in respect of planning arrangements for Large Hospital Services.

3.7 Recommended further issues for consideration by the Chief Officer and the Integration Joint Board

- Accountability and responsibilities of the Integration Joint Board in respect of all governance arrangements should be clarified and agreed by the Integration Joint Board and the parties, and should flow through to risk management and assurance arrangements.
- An Assurance Framework should be developed to clearly link objectives, risks, controls/actions and assurances/performance reporting within the context of the Integration Joint Board's governance structures. Target completion dates should be established, and progress in achieving these should be monitored by the Audit Committee.
- The Assurance Framework should incorporate a formal Local Code of Corporate Governance that links together key documents including the Integration Scheme, Strategic Plan, Code of Conduct and Financial Regulations.
- The Assurance Framework should be supported by arrangements that include: appropriate reporting lines for the effective flow of assurance from any officer or governance groups; and, by workplans and reporting schedules for the Integration Joint Board and its Standing Committees, showing when items of business require to be considered to meet specific obligations, as well as any additional reporting agreed by members.
- The Performance Management Framework recognises that a reporting framework requires to be developed to ensure clarity on the frequency and timing of key reports.
- Development of the Performance Management Framework should also include clearer consideration of how Best Value requirements will be addressed.
- Deputising arrangements for the short and long-term absences of the Chief Officer should be formalised.
- The response to the Audit Scotland reports, including implementation of proposed actions, should be reported to the Audit Committee, which has been delegated responsibility to consider relevant national audit reports.
- Arrangements for the provision of corporate service support, including administrative and professional support to the Integration Joint Board and any sub-Committees, should be agreed and finalised. It is noted that, under section 4.5 of the Integration Scheme, this was to be agreed in the Shadow Year.

Clinical & Care Governance, Financial Governance, Staff Governance & Information Governance

3.8 Key arrangements in place as at year end 2015/16

- A Forth Valley-wide Clinical & Care Governance Framework was agreed by the Integration Joint Board in March 2016. The Framework will be further developed to reflect the experience of integrated working as local arrangements and governance requirements are better understood and evolve.
- A Clinical & Care Governance Oversight Group has been provided for under the above Framework, and is expected to be established following the appointment of Chief Social Work Officers by Clackmannanshire Council and Stirling Council. The Group's role includes review and scrutiny of significant adverse events including significant case reviews.
- The Chief Finance Officer reported on Financial Assurance (including Due Diligence) of delegated budgets to the Integration Joint Board in March 2016.
- The Integration Joint Board approved:
 - an Integrated Workforce Plan, including organisational development priorities (January 2016);
 - the proposed resource transfers to the Integration Joint Board as a first-year Partnership Budget, including large hospital set aside (March 2016);
 - Financial Regulations (March 2016);
 - a Complaints Protocol (March 2016); and,
 - interim arrangements for Freedom of Information and Subject Access requests (March 2016).
- A development session for Integration Joint Board members was held in November 2015. A report on this event contributed to a number of development recommendations, which were agreed by the Integration Joint Board in February 2016.
- The Integration Joint Board agreed to become a member of CNORIS (the Clinical Negligence & Other Risks Indemnity Scheme) in December 2015, in order to ensure appropriate liability and indemnity cover. I have confirmed that it is a member of the scheme for 2016/17.
- The Integration Joint Board has adopted the Scottish Accord for the Sharing of Personal Information (SASPI), and has delegated the Chief Officer to act as Senior Information Risk Officer.

3.9 Developments in 2016/17 (in place or planned)

- Financial Assurance has been reviewed by Internal Audit, who will report in September 2016.
- The implementation and embedding of the Clinical & Care Governance Framework, including establishment of the Oversight Group, is ongoing.
- Development and agreement of information sharing arrangements between the members of the Partnership.
- Development of operational plans to support the Integrated Workforce Plan.

3.10 Recommended further issues for consideration by the Chief Officer and the Integration Joint Board

- The Clinical & Care Governance Framework approved in March 2016 does not clearly incorporate section 5.4.1 of the Integration Scheme, which states that the Chief Social Work Officer reports annually to a meeting of the Council on the discharge of his/her duties as Chief Social Work Officer. This will continue and relate to both the Integration Functions and non-integrated functions/services. In addition to the annual report, the Chief Social Work Officer is entitled to advise the Council on all matters relating to social work functions.
- The published Complaints Protocol is not currently accompanied by associated contact details. These should be provided either within a revised Protocol or as additional information on the associated website pages.

4 ACKNOWLEDGEMENT

- 4.1 I would like to take this opportunity to thank the Chief Officer and Chief Finance Officer of the Integration Joint Board as well as staff within the partnership for the help and co-operation extended to Internal Audit throughout this challenging first year.

Kevin O’Kane FCCA
Chief Internal Auditor

**CLACKMANNANSHIRE & STIRLING INTEGRATION JOINT BOARD
ANNUAL INTERNAL AUDIT REPORT 2015/16
ACTION PLAN**

Ref	Finding & Recommendation	Management Response /Agreed Action	Priority	Responsible Officer	Target Date
1	Our evaluation of the Integration Joint Board's governance framework has identified planned improvements for 2016/17 as well as further issues for consideration by the Integration Joint Board and the Chief Officer. We recommend that an action plan setting out a timetable for implementation is drawn up by officers and approved and monitored by the Integration Joint Board or the Audit Committee.	An action plan will be developed and presented to and monitored by the Audit Committee.	High	Chief Finance Officer	31 December 2016
2	<p>The recommendation above covers a range of underlying recommendations within sections 3.7 and 3.10 of this report.</p> <p>However, particular attention must be drawn to the need for the Integration Joint Board to ensure that a full Scheme of Delegation is finalised and implemented without undue delay in order to support the effective delivery of the Strategic Plan and ensure that the broader aims of the Integration process are achieved for people in Clackmannanshire and Stirling.</p> <p>The Scheme of Delegation should be clear and comprehensive on the delegation of operational responsibilities to the Chief Officer and to the constituent authorities, which should be subject to proper consideration.</p>	A scheme of delegation is currently being drafted and, after consultation and agreement with the constituent authorities, will be presented to the Integration Joint Board for approval.	High	Chief Officer	30 November 2016

Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

1 September 2016

This report relates to
Item 5 on the agenda

Draft Internal Audit Annual Plan 2016/17

(Paper presented by Kevin O’Kane)

For Approval

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Kevin O’Kane, Chief Internal Auditor
Date:	19 August 2016
List of Background Papers:	
Integration Joint Board, 24 February 2016 – Provision of Internal Audit	
Integration Joint Board, 27 April 2016 – Appointment of Chief Internal Auditor	
Integration Joint Board, 22 June 2016 – Strategic Risk Register	

Title/Subject: Draft Internal Audit Annual Plan 2016/17

Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee

Date: 1 September 2016

Submitted By: Kevin O’Kane, Chief Internal Auditor

Action: For Approval

1. Introduction

1.1 This report presents Internal Audit’s draft Annual Plan 2016/17, attached at Appendix 1, which sets out a proposed programme of internal audit work for the current financial year. The draft Plan has been developed in consultation with the Chief Officer and the Chief Finance Officer, and the chief internal auditors of each of the constituent authorities.

2. Executive Summary

2.1. The Chief Internal Auditor has developed a risk-based draft Internal Audit Annual Plan 2016/17, in consultation with the Integration Joint Board’s senior officers. It has been developed so that it is aligned with the Integration Joint Board’s Strategic Risk Register as at June 2016, and will help ensure that the Integration Joint Board complies with The Local Authority Accounts (Scotland) Regulations 2014.

2.2. The draft Internal Audit Annual Plan 2016/17, attached at Appendix 1, provides for the delivery of two reviews that will be reported to the Audit Committee in addition to Internal Audit’s Annual Plan and Annual Report. Those reviews will focus on:

- financial reporting arrangements, including consideration of: alignment with and impact on the Strategic Plan; savings monitoring arrangements; and, protocols for variations of budgets and directions; and,
- governance processes, including arrangements to develop and monitor progress on delivery of the Strategic Plan.

2.3. A summary of Internal Audit activity in respect of 2015/16 is provided at Appendix 2.

3. Recommendations

The Audit Committee is asked to:

3.1. consider the draft Internal Audit Annual Plan 2016/17, attached at Appendix 1;

- 3.2. to approve the draft annual Internal Audit Risk Assessment and Plan 2016-17, either with or without amendment; and,
- 3.3. note the Internal Audit activity in respect of 2015/16, provided for information at Appendix 2.

4. Background

- 4.1. The Integration Joint Board agreed, on 24 February 2016, that Internal Audit services would be provided by the Internal Audit teams within the constituent authorities, with responsibility for Chief Internal Auditor duties rotating between those authorities' Chief Internal Auditors on a three-year basis. The Chief Internal Auditors agreed that Stirling Council's Audit Manager should be nominated as Chief Internal Auditor for the initial three-year period, covering the financial years up to 31 March 2019, and this was approved by the Integration Joint Board on 27 April 2016.
- 4.2. Internal Audit's work is governed by the requirements of a common set of UK Public Sector Internal Audit Standards (PSIAS), adopted and issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Institute of Internal Auditors (IIA). The Public Sector Internal Audit Standards cover a number of areas, including the development of risk-based audit plans.
- 4.3. Public Sector Internal Audit Standard 2010 (Planning) requires the Integration Joint Board's Chief Internal Auditor to establish risk-based audit plans that are consistent with the Integration Joint Board's key priorities and risks, in order to determine the priorities of the internal audit activity.

5. Draft Internal Audit Annual Plan 2016/17

- 5.1. The draft Internal Audit Annual Plan 2016/17, which sets out a proposed programme of internal audit work for the current financial year, is attached at Appendix 1. The planning process included discussion and consultation with the Chief Officer, Chief Financial Officer, and the chief internal auditors of the constituent authorities.
- 5.2. Internal Audit would normally also consult the Integration Joint Board's external auditor in the development of the draft Annual Plan. This has not happened on this occasion, given the timing of planning work and as there is currently a transition period between public sector external audit appointments. The incoming external auditor for the five-year period from 2016/17 is Audit Scotland. The Chief Internal Auditor expects to liaise regularly with external audit, including in the development of future annual plans.
- 5.3. The draft Internal Audit Annual Plan 2016/17 is clearly aligned with the Strategic Risk Register approved by the Integration Joint Board on 22 June 2016. This is to help ensure that internal audit activity takes proper account of the Integration Joint Board's key priorities and risks. Internal Audit is conscious

that the Strategic Risk Register and associated risk management arrangements are still at an early stage, so we will monitor developments in this area and consider how these impact upon future internal audit planning and activity.

- 5.4. A summary of Internal Audit activity in respect of 2015/16 is provided for information at Appendix 2. The main outputs from this work (the Internal Audit Annual Report 2015/16 and the consolidated Integration Financial Assurance Report) are being reported separately to the Audit Committee. The estimated resource input does not include the time spent by the constituent authorities' Internal Audit teams in preparing the separate Integration Financial Assurance reports.

6. Conclusions

- 6.1. The risk-based draft Internal Audit Annual Plan 2016/17 proposes the following key pieces of work that will result in reports to the Audit Committee, in addition to normal service management and contingency:
- a review of financial reporting arrangements including operational reporting to the Chief Officer and to the Integration Joint Board. This will include consideration of: alignment with and impact on the Strategic Plan; savings monitoring arrangements; and, protocols for variations of budgets and directions;
 - a review of the Integration Joint Board's governance processes, including arrangements to develop and monitor progress on delivery of the Strategic Plan, to consider whether these have been properly implemented and are effective;
 - the Internal Audit Annual Plan; and,
 - the Internal Audit Annual Report.

7. Resource Implications

- 7.1. There are no anticipated additional financial costs associated with the provision of an Internal Audit service from within the partners' Internal Audit teams. Each of those teams has made resources available to support the achievement of the annual Internal Audit Plan, in line with the wider support services approach, although that remains under consideration.

8. Impact on Integration Joint Board Priorities and Outcomes

- 8.1. An Internal Audit service, including provision of an Annual Internal Audit Report, is one of the key components of good corporate governance. The Internal Audit Annual Plan 2016/17 has been developed to provide

independent assurance in respect of the Integration Joint Board's governance, risk management and control framework.

9. Legal & Risk Implications

- 9.1. The Internal Audit Annual Plan 2016/17 will help to ensure that the Integration Joint Board complies with The Local Authority Accounts (Scotland) Regulations 2014.
- 9.2. The Internal Audit Annual Plan 2016/17 has been developed so that it is aligned with the Integration Joint Board's Strategic Risk Register as at June 2016.

10. Consultation

- 10.1. The Chief Internal Auditor provided a consultative draft of the Internal Audit Annual Plan 2016/17 to the Chief Officer and Chief Finance Officer. The chief internal auditors of the constituent authorities were similarly consulted. All responses were considered in the finalisation of the draft Annual Plan. A copy of the draft Annual Plan has also been sent to the Integration Joint Board's external auditor for 2016/17 (Audit Scotland).

11. Equality and Human Rights Impact Assessment

- 11.1. N/A.

12. Exempt reports

- 12.1. Not exempt.



**Clackmannanshire
Council**



APPENDIX 2

Internal Audit Activity for 2015/16 (for information only)

Risk Type	Risk Register Reference	Risk Title / Description (per IJB Risk Register)	Audit Description	Estimated Days
Integration Financial Assurance	-	Funding is inadequate to meet strategic objectives, or is inadequately apportioned.	Review of the Integration Joint Board's financial assurance processes to ensure that the initial sums allocated to the Integration Joint Board are adequate for its purposes. (Note – input days excludes input for local reviews within partner bodies)	2
Planning & Reporting	n/a	Annual Plan, Annual Report and Audit Committee reporting	The Chief Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the Integration Joint Board's control environment.	10
Contingency	n/a	Ad-hoc advice / Consultancy	Consideration of relevant issues raised in relation to the operational delivery of services.	2
Audit Management	n/a	n/a	Liaison with external auditors, partners' internal auditors and other review bodies; audit management; liaison with Members and management; and, attendance at IJB and Audit Committee	6
Total 15/16				20



**Clackmannanshire
Council**



NHS
Forth Valley

Clackmannanshire & Stirling Integration Joint Board: Annual Internal Audit Plan 2016/17

Risk Type	Risk Register Reference	Risk Title / Description (per Strategic Risk Register)	Audit Description
Financial and Operational	1	Financial Stability and Commissioning (including sustainable capacity across all sectors, and co-location / sharing of teams and assets)	A review of financial reporting arrangements including operational reporting to the Chief Officer and to the Integration Joint Board. This will include consideration of: alignment with and impact on the Strategic Plan; savings monitoring arrangements; and, protocols for variations of budgets and directions.
Governance	2	Leadership, Decision Making and Scrutiny (including effectiveness of governance arrangements)	A review of the Integration Joint Board's governance processes, including arrangements to develop and monitor progress on delivery of the Strategic Plan, to consider whether these have been properly implemented and are effective.
Planning & Reporting	n/a	Annual Plan, Annual Report and Audit Committee reporting	The Chief Auditor is required to prepare an annual plan and annual report for the Audit Committee, summarising the work undertaken by Internal Audit during the year and using this to form an opinion on the adequacy of the control environment of the Integration Joint Board.
Contingency	n/a	Ad-hoc advice / Consultancy	Consideration of relevant issues raised in relation to the operational delivery of services. Specific work at request of the Integration Joint Board / Audit Committee.
Audit Management	n/a	n/a	Liaison with external auditors, partners' internal auditors and other review bodies; audit management; liaison with Members and management; and, attendance at Integration Joint Board and Audit Committee.



**Clackmannanshire
Council**



DRAFT

Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

1 September 2016

This report relates to
Item 6 on the agenda

Internal Audit Report: Integration Financial Assurance

(Paper presented by Kevin O’Kane)

For Noting

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Kevin O’Kane, Chief Internal Auditor
Date:	24 August 2016
List of Background Papers:	
Scottish Government – Guidance on Integration Financial Assurance Integration Joint Board, 30 March 2016 – Due Diligence, Financial Assurance and First Year Integration Joint Board Budget Integration Joint Board, 27 April 2016 – Appointment of Chief Internal Auditor	
Appendix 1 : Stirling Council Audit Committee, 26 May 2016 – Internal Audit Report, Health & Social Care Integration Financial Assurance	
Appendix 2 : Falkirk Integration Joint Board, 24 March 2016 – Internal Audit Work 2015/16 and 2016/17	

Title/Subject: Internal Audit Report: Integration Financial Assurance
Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee
Date: 1 September 2016
Submitted By: Kevin O’Kane, Chief Internal Auditor
Action: For Noting

1. Introduction

1.1 This report advises the Audit Committee of the Integration Financial Assurance work that was undertaken for 2015/16 by the Internal Audit services within Clackmannanshire Council, NHS Forth Valley and Stirling Council.

2. Executive Summary

2.1. Scottish Government has published guidance on Integration Financial Assurance to provide advice to Health Boards, Local Authorities and Integration Joint Boards on a process of assurance to help make Integration a success. The guidance recommends that the partners’ Audit Committees are provided with a report, produced jointly by the Health Board and Local Authority Chief Internal Auditors (and copied to the shadow Integration Joint Board), on the assurance work that has been carried out by the Health Board and Local Authority.

2.2. The Chief Internal Auditor to the Integration Joint Board has sought to address this recommendation by, with the agreement of the partners’ heads of Internal Audit, presenting the reports that have been made to their audit committees, and presenting an overall conclusion to the Integration Joint Board’s Audit Committee. The report for Clackmannanshire Council is not yet available, but information on the conclusion of that report has been provided.

2.3. Overall, the reviews of Integration Financial Assurance within the constituent authorities of the Integration Joint Board indicate that the financial assurance process to agree base budgets was satisfactory.

3. Recommendations

The Audit Committee is asked to:

3.1. note the findings, conclusions and recommendations arising from the Internal Audit’s Integration Financial Assurance work for 2015/16, as set-out section 5 to this report and in Appendix 1 (Stirling Council) and Appendix 2 (NHS Forth Valley Health Board); and,

- 3.2. note that the underlying report in respect of Clackmannanshire Council will be presented to that authority's audit committee on 16 September 2016 and will be presented to the next meeting of the Integration Joint Board Audit Committee; and,
- 3.3. note that this report will be presented to the Integration Joint Board on 21 September 2016.

4. Background

- 4.1. The Integration Joint Board has a combined budget for the adult social care and health services for which it has responsibility under the Integration Scheme. It also has indicative budgets for services delegated for strategic planning purposes, so that it can work in collaboration to redesign the care or the pathways of care, or to implement new models that will shift service and resources.
- 4.2. The alignment of the partners' budgets has been the subject of a due diligence process agreed between the partners, in order to help provide the Integration Joint Board with assurance that its resources are adequate to allow it to carry out its functions and to assess the risks associated with this.
- 4.3. The Scottish Government issued [Guidance on Integration Financial Assurance](#), recognising that partners should coordinate due diligence activities across financial assurance as well as legal and operational assurance. The guidance states that, in order for the assurance process to work optimally, it should be "based on mutual trust and confidence involving an open-book approach and an honest sharing and discussion of assumptions and risks". The process should be proportionate to the potential risks and cover the whole transition period (pre-integration, implementation and post-integration).
- 4.4. Stirling, Clackmannanshire and Falkirk Councils, along with NHS Forth Valley, have worked collaboratively, as a pan-Forth Valley workstream, to perform the due diligence process. All partners shared estimated figures of 'in scope' and 'out of scope' budgets for integration, following agreed methodologies. Each partner's Finance team performed a financial assurance exercise of resources to be delegated to the Integration Joint Board. The results of the due diligence process were reported to the Integration Joint Board by the Chief Finance Officer on 30 March 2016.

5. Internal Audit Reports on Integration Financial Assurance

Stirling Council (Appendix 1)

- 5.1. The Audit Manager for Stirling Council (who is also the Chief Internal Auditor to the Integration Joint Board) reported on Integration Financial Assurance to Council's Audit Committee on 26 May 2016. That report is attached at Appendix 1. The report concludes that:

“We can provide **substantial assurance**, from the findings of our audit, that the Council’s financial assurance process to agree the Council’s base budget allocation to the Integration Joint Board for 2016/17 is adequate and appropriate.”

- 5.2. The report also identified one medium risk finding and one low risk finding. These resulted in agreed actions for improvement within Stirling Council.

NHS Forth Valley Health Board (Appendix 2)

- 5.3. The Chief Internal Auditor for NHS Forth Valley (who is also the Chief Internal Auditor to the Falkirk Integration Joint Board) and Falkirk Council’s Internal Audit Manager reported jointly on Internal Audit Work 2015/16 and 2016/17 to the Falkirk Integration Joint Board on 24 March 2016. That report is attached at Appendix 2, and includes findings and conclusion in respect of integration financial assurance at paragraphs 7.2 to 7.7. The report concludes that:

“We can provide assurance that in our opinion the process undertaken to agree the health allocation base budget for 2015/16 has been sufficiently robust and the methodology used sound.

Due diligence has been completed on the baseline budgets for 2015/16, including the amount set aside for Integration Joint Board consumption of large hospital serves, with due diligence on the remainder to be completed on conclusion of the Budget Setting process.”

- 5.4. The report goes on to highlight that:

“As reported in the Audit Scotland report ‘Health and Social Care Integration’ published in December 2015, the results of the UK spending review were not announced until November 2015 and the Scottish Government published its financial plans on 16 December 2015. Following the Scottish Parliament’s approval of the 2016/17 Budget Bill on 24 February 2016, the Cabinet Secretary for Finance, Constitution, and Economy announced initial revenue allocations for 2016/17. The timing of the revenue allocation notification has had an impact nationally on Health Boards’ ability to prepare baseline budgets. Therefore, whilst aspects of the IRAG guidance have been addressed through the Finance Workstream, all requirements of the guidance have not yet been fully reported to the Integration Joint Boards in a way that would fulfil the essence of the guidance i.e. to provide sufficient information to allow the Integration Joint Boards to assess whether the resources delegated to the Integration Joint Board are adequate for it to carry out its functions.”

Clackmannanshire Council

- 5.5. Clackmannanshire Council Internal Audit has completed its review of the integration financial assurance process. However, this has not yet been reported to the Council’s Audit and Finance Committee. Therefore, it was not considered appropriate to present that report to the Integration Joint Board

Audit Committee at this time. However, the Council's Internal Audit Team Leader has agreed that his overall conclusion could be provided to this Audit Committee.

- 5.6. Clackmannanshire Council Internal Audit will provide the following assurance to the Audit and Finance Committee on 16 September: "Internal Audit, in conjunction with Accountancy Staff, identified the key risk relating to the financial assurance process undertaken to agree the Clackmannanshire Council allocation base budget for 2015/16. We can provide **significant** assurance that risks are being adequately mitigated."

6. Conclusions

- 6.1. This report addresses the recommendation, contained in Scottish Government guidance, that the Health Board and Local Authority Chief Internal Auditors report to the partners' Audit Committees on integration financial assurance, and that this report is copied to the Integration Joint Board.
- 6.2. Appendices 1 and 2 contain relevant public reports to Stirling Council's Audit Committee and the Falkirk Integration Joint Board, respectively. The equivalent report for Clackmannanshire Council is not yet available: however, information on the outcome of that report has been provided for the purpose of this report, and the report itself will be provided to the next meeting of the Audit Committee.
- 6.3. Overall, the reviews of Integration Financial Assurance within the constituent authorities of the Integration Joint Board indicate that the financial assurance process to agree base budgets was satisfactory.

7. Resource Implications

- 7.1. There are no new resource implications arising directly from this report.

8. Impact on Integration Joint Board Priorities and Outcomes

- 8.1. This report provides assurance in respect of the financial assurance process for agreeing the Integration Joint Board's base budget.

9. Legal & Risk Implications

- 9.1. This report is relevant to the Financial Stability and Commissioning risk area in the Health & Social Care Partnership's Strategic Risk Register.

10. Consultation

- 10.1. The Chief Internal Auditor, who is also the Audit Manager for Stirling Council, consulted with the Chief Internal Auditor for NHS Forth Valley and the Internal Audit Team Leader for Clackmannanshire Council in the development of this report. The reports at Appendices 1 and 2 were subject to separate consultation arrangements.

11. Equality and Human Rights Impact Assessment

- 11.1. N/A.

12. Exempt reports

- 12.1. Not exempt.

1. Executive Summary and Audit Opinion

Audit Opinion	Risks & Recommendations					
Substantial Assurance		<u>Critical</u>	<u>High</u>	<u>Medium</u>	<u>Low</u>	<u>Advisory</u>
	Risks identified	0	0	1	1	0
Improvement actions	0	0	1	1	0	

This summary report has been prepared for Audit Committee purposes, and is based on a full report that includes an agreed Action Plan to address the risks identified in the course of the audit, and further information on the limitations to our Opinion. Copies of full Internal Audit reports are published on the Council's intranet, as far as is appropriate, at <http://source.stirling.gov.uk/pages/internal-audit-reports>.

Section 3 contains information on all risks identified, with the exception of those considered 'advisory'. Summary reports also contain an extract from the agreed Action Plan where 'critical' or 'high' risk findings have been identified: there are no such actions in respect of this review.

Background

- 1.01 We performed a review of the financial assurance arrangements for Health and Social Care Integration within Stirling Council as part of the programme approved in our Audit Risk Assessment & Plan 2015/16.
- 1.02 The Clackmannanshire & Stirling Health & Social Care Partnership has been established in response to the [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#). The Partnership comprises NHS Forth Valley, Stirling and Clackmannanshire Councils and forms an Integration Authority. It operates through an Integration Joint Board (IJB) and under a legally-binding Integration Scheme, agreed by all parties and the Transition Board in June 2015. The Partnership aims to ensure that services are well integrated and that people receive the care they need at the right time and in the right setting, with a focus on community based and preventative care.
- 1.03 This report focuses on financial assurance from Stirling Council's perspective, focussing on the process undertaken to agree the Council's base budget allocation to the IJB for 2016/17. The content of this report will be included in a joint Financial Assurance report produced by the Internal Audit teams of NHS Forth Valley, Stirling Council and Clackmannanshire Council. This is in line with the [Guidance for Integration Financial Assurance](#) provided by Scottish Government.
- 1.04 This report addresses elements of the following high-level priorities and risks (references are as per the Internal Audit Risk & Assessment Plan 2015/16):

Internal Audit Report:
Health & Social Care Integration Financial Assurance (May 2016)

Key Priority	KP_K	Examining and deliver on more opportunities for improved service delivery.
Strategic Risk	SR12	Risk that Corporate Governance arrangements are not effective.

Assurance Opinion

- 1.05 We can provide **substantial assurance**, from the findings of our audit, that the Council's financial assurance process to agree the Council's base budget allocation to the Integration Joint Board for 2016/17 is adequate and appropriate. A definition of this assurance category is set out at Appendix 1 to the covering report. We also consider that, in relation to the specific objectives of the review:

	Objective	Findings
1	The financial assurance process has followed national guidance.	Stirling Council has completed its financial assurance process and has followed the Scottish Government's guidance where relevant. We have identified that there is a lack of clarity about the initial sum to be transferred in terms of what has been reported to both the Council and the Integration Joint Board. We have raised this with the respective Chief Finance Officers.
2	The risks and assumptions are comprehensive, accurate and clear.	The assumptions used to prepare the 2016/17 budget were comprehensive, accurate and clearly shown. However, while risks were considered at the Partnership level, we consider that there is further work that could be done to consider financial risks from the Council's perspective.

- 1.06 It should be noted that the issues identified in this report are only those that have come to our attention during the course of our audit work. The audit cannot be expected to detect all errors, control issues or opportunities for improvements in management arrangements that may exist.

Summary of findings

- 1.07 We did not identify any critical or high risk findings in the course of our review. We have, however, identified 1 medium risk and 1 low risk, and made recommendations to help Service strengthen its arrangements for financial assurance for the IJB. Those findings are as follows:
- the 2016/17 budget transfer to the IJB was not presented clearly in the Council's budget setting papers: this has been carried forward to an IJB report; and,
 - an assessment of financial risk from the Council's perspective was not performed to identify and help mitigate financial risks.

Internal Audit Report:
Health & Social Care Integration Financial Assurance (May 2016)

Good practice

- 1.08 We note that Stirling Council has, along with the other partners, made significant effort to understand the different financial regimes, cultures and terminology between the health board and local authorities, and we consider that this demonstrates good practice. This was done as part of the Finance Workstream and sub-group meetings. An Issues Log was used to record and monitor any issues that had to be followed up at a later date until resolution.

Management response

- 1.09 The Chief Finance Officer accepts the findings of this report, and will work closely with the Chief Finance Officer of the IJB, as well as senior officers in Social Services within Stirling Council to address the recommendations that have been made.

2. Background, Scope and Objectives

Background

- 2.01 The Public Bodies (Joint Working) (Scotland) Act 2014, established the framework for the integration of health and social care in Scotland. The detail of the integration arrangement for the combined Clackmannanshire and Stirling council areas is set out in an [Integration Scheme](#). This is a legally binding agreement between Stirling and Clackmannanshire Councils and the NHS Forth Valley Health Board, which describes the functions that they will delegate to the IJB to enable it to meet its responsibilities and makes provision for payments to enable it to do so. The Clackmannanshire and Stirling Health & Social Care Partnership is the only such partnership in Scotland that has more than two partners.
- 2.02 The IJB has a combined budget for the adult social care and health services for which it has responsibility under the Integration Scheme. It also has indicative budgets for services delegated for strategic planning purposes, so that it can work in collaboration to redesign the care or the pathways of care, or to implement new models that will shift service and resources.
- 2.03 The alignment of the partners' budgets has been the subject of a due diligence process agreed between the partners, in order to help provide the IJB with assurance that its resources are adequate to allow it to carry out its functions and to assess the risks associated with this.
- 2.04 The Scottish Government issued [Guidance on Integration Financial Assurance](#), recognising that partners should coordinate due diligence activities across financial assurance as well as legal and operational assurance. The guidance states that, in order for the assurance process to work optimally, it should be "based on mutual trust and confidence involving an open-book approach and an honest sharing and discussion of assumptions and risks". The process should be proportionate to the potential risks and cover the whole transition period (pre-integration, implementation and post-integration).

Internal Audit Report:
Health & Social Care Integration Financial Assurance (May 2016)

- 2.05 Stirling, Clackmannanshire and Falkirk Councils, along with NHS Forth Valley, have worked collaboratively, as a pan-Forth Valley workstream, to perform the due diligence process. All partners have shared estimated figures of 'in scope' and 'out of scope' budgets for integration, following agreed methodologies. Each partner's Finance team is performing a financial assurance exercise of resources to be delegated to the IJB. The results of the due diligence process were reported to the IJB on 30 March 2016.
- 2.06 Stirling Council has identified and delegated, through its budget-setting meeting on 25 February 2016, £29.524 million of revenue resource transfer for in-scope activities: this includes Housing Elements, but not a further £0.67 million of PBB savings that were also approved at that meeting of the Council. The report drew attention to the exclusion, the savings not having been approved at the time it was prepared. However, we have identified inconsistencies in the disclosures concerning the Council's resource transfer, these are set out in Section 3.01.

Processes and Controls

- 2.08 Section 3.2.1. of the [Guidance for Integration Financial Assurance](#) states:
"It is recommended that the initial sums should be determined on the basis of existing Health Board and Local Authority budgets, actual spend and financial plans for the delegated services. It is important that the plans are tested against recent actual expenditure and that the assumptions used in developing the plans and the associated risks are fully transparent".
- 2.09 The Guidance sets out six key recommendations to assist the above process. Five of these are relevant to the Council and are addressed in Sections 1.10 and Section 3.01 – 3.07.
- 2.10 The Council's Finance team has worked with the Partnership's Chief Officer and Chief Finance Officer, and the NHS Forth Valley and local authority Finance teams to carry out the financial assurance process. The process focused on two main areas: financial governance and, financial assurance and risk assessment for delegated resources.
- 2.11 The process operated through a Finance Workstream Group, which reports to the Programme Board, which in turn provides updates to the IJB. The Programme Board comprises the Chief Officers, Programme Managers, Workstream leads and Chief Finance Officer for the Forth Valley partnerships. The Finance Workstream Group is led by the Director of Finance for NHS Forth Valley and includes the Chief Finance Officers of the Falkirk, Stirling and Clackmannanshire Councils. The Group has oversight of two sub-groups: one for Financial Management and Reporting, the other for Governance, Assurance and Risk.
- 2.12 The Finance Workstream Group and sub-groups completed a review of budget information provided by each partner as part of the due diligence process. The outcome of the due diligence process was reported to a Special Meeting of the IJB on 30 March 2016.
- 2.13 The partners' internal auditors will provide reports on the financial assurance process to their own audit committees, and a joint report will be submitted to the IJB in accordance with the Guidance.

Scope and objectives

2.14 The specific objectives of the review are to provide assurance that:

- the financial assurance process has followed national guidance (see section 1.10 above); and,
- risks and assumptions are comprehensive, accurate and clear.

3. Detailed findings and risks

Scottish Government Guidance

This section considers how the Council has followed the key recommendations in section 3.2.1 of the Guidance for Integration Financial Assurance (as set out in **bold** below).

1.01 The budget in the financial plan is assessed against actual expenditure reported in the management accounts for the most recent two/three years. Ideally, the roll forward of the budget for the delegated services and the actual expenditure over this period should be understood.

We reviewed the budget assessments performed by the Finance team. The Finance team had assessed the budget against actual expenditure for the most recent three years, using a methodology agreed with Clackmannanshire Council and Falkirk Council. This methodology identified 'in scope' budgets, expenditure and variances.

The 2016/17 budget is based on the budget allocated in 2015/16, plus additional funding from the Scottish Government (£3.5m), less savings targets for the year.

The table below shows the Council's 'in scope' budget and expenditure for the relevant period.

Description	Type	2013/14	2014/15	2015/16	2016/17
Adult Social Care (Integration in-scope activities)	Budget (£000)	30,773	30,624	31,670*	30,763*
	Actual (£000)	30,677	30,731	32,100* (Projected)	N/A
	Difference – (£000)	-96	107	430 (Projected)	N/A
	Difference – %	-0.3%	0.4%	1.4% (Projected)	N/A

The initial sum above (£30.8 million) does not clearly agree to the equivalent amounts in the Revenue Budget and Determination of Council Tax 2016/17 report approved at a Special Council Meeting on 25 February 2016 (£28.8 million plus £0.7million Housing Elements), and in a subsequent report to the Integration Joint Board on 30 March 2016 (£29.5million). These presentational inconsistencies appear to relate to a combination of factors, including different treatments applicable to two tranches of national funding (total value £3.8 million),

Internal Audit Report:
Health & Social Care Integration Financial Assurance (May 2016)

the timing of approval of the allocation of these and approval of £0.7 million PBB3 savings, and, generally, how these matters have been presented at paras 3.57 to 3.61 of the report to Special Council.

We have brought this matter to the attention of the Council's Chief Finance Officer, who has confirmed that he will provide further information to Elected Members to ensure that they have been given clear information on the initial sums to be transferred. He has also confirmed that a more detailed analysis, supporting the £30.8 million figure, has been shared with partners. We have also brought the matter to the attention of the Chief Finance Officer for the Health & Social Care Partnership.

The Finance team has confirmed that there is no roll forward of unused budget for delegated services from 2015/16 to 2016/17. While the budget approved by the Council on 25 February includes 'Rollover Budget adjustments' of £0.4m, Finance has clarified that this concerns adjustments for salary and inflationary pressures to determine the budget allocation for 2016/17.

Finding rating	Low risk
Risk(s) identified	There is a lack of clarity about the initial amount to be transferred. This is mitigated by an awareness of the correct amount among officers, and sharing of appropriate information with partner officers: however, it is important that Elected Members are presented with clearer information on the sums involved.

3.02. Material non-recurrent funding and expenditure budgets for the delegated services and the associated risks are identified and assessed.

The Finance team considered if there were any funding and/or expenditure streams in previous years that should not be replicated in the proposed budget transfer to the IJB for 2016/17. There were no such items.

3.03. The medium term financial forecast for the delegated services and associated assumptions and risks is reviewed.

We reviewed the financial forecast prepared by the Finance team for 2015/16 to 2018/19 and established that the process had properly incorporated assumptions for adjustments such as salary and inflation pressures.

3.04. Savings and efficiency targets and any schemes identified are clearly identified and the assumptions and risks are understood by all partners.

Savings and efficiency targets are primarily focused on the PBB options that are incorporated in the Council's budget transfer. The Revenue Budget paper considered by the Council on 25 February 2016 properly highlights at Section 3.59 that PBB3 figures were not yet incorporated in the transfer. This was appropriate given that the PBB savings had not yet been approved at the time the paper was prepared, although they were subsequently approved at the same meeting. As highlighted in section 3.01, this has subsequently

Internal Audit Report:
Health & Social Care Integration Financial Assurance (May 2016)

contributed to a lack of clarity about the amount to be transferred as reported to both the Council and the IJB.

3.05. All risks should be quantified where possible and measures to mitigate risk identified. Risks could be classified as delivery of efficiency savings; on-going risks; emerging risks.

We have established that Social Services included health and social care integration as an operational risk in its Service Risk Register, and that the pan-Forth Valley Finance Workstream considered key financial risks from an IJB/integration perspective in accordance with the Guidance. However, the Guidance also advises that an effective assurance process “should also help the delegating partners to quantify the risks to their respective operations”: we could not find evidence that financial risks had been assessed and quantified from a Stirling Council perspective, or that any relevant risks identified within the Workstream process had been taken to Stirling Council’s risk register(s).

Finding rating	Medium risk
Risk(s) identified	The absence of an assessment of financial risks from Stirling Council’s perspective (rather than the Partnership’s perspective) increases the likelihood that known and/or unknown risks are not properly identified and mitigated.

3.06. The amount set aside for the Integration Joint Board consumption of large hospital services is consistent with the methods recommended in the IRAG guidance on the set aside resource and that the assumptions and risks are assessed.

This recommendation does not apply to the Council.

Action Plan extract (Critical and High risk items)

There are no such items.

Title / Subject: Internal Audit Work 2015/16 and 2016/17
Meeting: Integration Joint Board
Date: 24 March 2016
Submitted By: Internal Audit Manager Falkirk Council and
Chief Internal Auditor NHS Forth Valley
Action: For Decision

1. INTRODUCTION

- 1.1 This report advises the Board of the Internal Audit Financial Assurance work that has been undertaken for 2015/16 and proposes arrangements for the 2016/17 Internal Audit Plan.

2. RECOMMENDATIONS

- 2.1 The Integration Joint Board is asked to:
- (i) note the findings from the Internal Audit Financial Assurance work for 2015/16 and,
 - (ii) approve arrangements for devising and presenting the Internal Audit Plans for 2016/17 onwards.

3. BACKGROUND

- 3.1 Integrated Resource Advisory Group (IRAG) guidance states:

“It is the responsibility of the Integration Joint Board to establish adequate and proportionate Internal Audit arrangements for review of the adequacy of the arrangements for risk management, governance, and control of the delegated resources. This will include determining who will provide the Internal Audit service for the Integration Joint Board and nominating a Chief Internal Auditor.

The operational delivery of services within the Health Board and Local Authority on behalf of the Integration Joint Board will be covered by their respective Internal Audit arrangements as at present.

A risk based Internal Audit plan should be developed by the Chief Internal Auditor of the Integration Joint Board and approved by the Integration Joint

Board or other Committee. It is recommended that it is shared with the relevant committees of the Health Board and Local Authority.

It is recommended that the Chief Internal Auditor from either of the Health Board or Local Authority fulfil this role in the Integration Joint Board in addition to their role as Chief Internal Auditor of their respective Authority.”

- 3.2 At its meeting on 05 February 2016, the Integration Joint Board agreed that the Chief Internal Auditor role would rotate, on a three yearly basis, between the current postholders within the Health Board and Council. It was agreed that the Health Board Chief Internal Auditor take on this role for the initial three year period. It was also agreed that the resource required to deliver Integration Joint Board Internal Audit Plans would be derived from both the Health Board and Council teams.

4. INTERNAL AUDIT WORK 2015/16

- 4.1 For 2015/16 Internal Audit work has focussed on the requirements of the Scottish Government guidance on Integration Financial Assurance. In line with the guidance, due diligence of the initial sums was undertaken by the NHS Forth Valley and Falkirk Council Internal Audit teams. This work will also be reported jointly to the Health Board and Council Audit Committees.
- 4.2 In particular, due diligence work has focussed on Section 3.2.1 of the guidance which states that:

“It is recommended that the initial sums should be determined on the basis of existing Health Board and Local Authority budgets, actual spend and financial plans for the delegated services. It is important that the plans are tested against recent actual expenditure and that the assumptions used in developing the plans and the associated risks are fully transparent.

To assist in this it is recommended that:

- The budget in the financial plan is assessed against actual expenditure reported in the management accounts for the most recent two/three years. Ideally, the roll forward of the budget for the delegated services and the actual expenditure over this period should be understood;
- Material non-recurrent funding and expenditure budgets for the delegated services and the associated risks are identified and assessed;
- The medium term financial forecast for the delegated services and associated assumptions and risks is reviewed;

- Savings and efficiency targets and any schemes identified are clearly identified and the assumptions and risks are understood by all partners;
- All risks should be quantified where possible and measures to mitigate risk identified. Risks could be classified as delivery of efficiency savings; on-going risks; emerging risks;
- The amount set aside for the Integration Joint Board consumption of large hospital services is consistent with the methods recommended in the IRAG guidance on the set aside resource and that the assumptions and risks are assessed.”

4.3 The findings from the due diligence work are summarised at Sections 5 to 7 of this report.

5. GOVERNANCE ARRANGEMENTS

5.1 Integration arrangements included the formation of a Finance Workstream Group, chaired by the NHS Forth Valley Director of Finance, with membership comprised of Chief Financial Officers of the Falkirk, Clackmannanshire and Stirling Councils along with Senior Finance representatives from each of the above. The Finance Workstream Group reports to the Programme Board which is chaired by the Chief Officer for Stirling & Clackmannanshire IJB. The Finance Workstream Group has oversight of the two sub groups; Sub Group 1 (Methodology and identification and calculation of budgets) and Sub Group 2 (Governance, Assurance and Risk).

5.2 We noted good practice in that the two sub groups have in place comprehensive and regularly updated project plans which detail key tasks, lead officers and timescales and issue logs are in use. In compliance with the guidance requirement to ensure partners are aware that the financial regimes, cultures, and terminology differ between Health Boards and Local Authorities, and are clear about the definitions of terms used in their assurance work, a glossary of terminology has been developed to assist partners.

5.3 Guidance states that the due diligence process should be based on mutual trust and confidence involving an open-book approach and an honest sharing and discussion of the assumptions and risks. Our discussions with management and our review of the Finance Workstream Group and Sub Group documentation evidenced that regular liaison took place between NHS Forth Valley and Council finance staff and we commend the collaborative approach taken.

- 5.4 The Financial Assurance Guidance stresses at various points the importance of understanding the key risks and assumptions inherent in the budgets and financial positions for the delegated services. It also states that all risks should be quantified where possible and measures to mitigate risk identified.
- 5.5 Whilst work is ongoing to agree a Forth Valley wide Risk Management Strategy and to agree risk registers for both IJBs, all financial risks have not yet been quantified and risks have yet to be reported to allow IJB members to conclude on the adequacy or otherwise of the resources. The Chief Finance Officer for both IJBs has informed us that financial risk will be prominent in the budget papers presented to the March IJB meetings.
- 5.6 Financial Regulations for the IJBs have been drafted and have been circulated for comment through the Finance Workstream Group. The final draft will be presented to the March IJB meetings for approval. The Chief Finance Officer has informed Internal Audit that work on financial reporting is ongoing to ensure it is in line with the requirements of the Integration Scheme.

6. INTERNAL AUDIT WORK 2015/16 – FALKIRK COUNCIL

- 6.1 Our due diligence work focussed on reviewing the processes that were followed in setting the Council's budget allocation to the Integration Joint Board for 2016/17. The net revenue budget of £61.466m was approved by the Council on 17 February 2016.
- 6.2 The methodology followed in setting the Council's budget allocation was reported to the Transitional Board on 04 September 2015. The methodology report included details of all the in scope functions. We were content that this methodology was followed in identifying in scope budgets, expenditure, and variances. The actual resources made available needs to be related to the 2016/17 funding position. For example, Falkirk Council's cash grant has decreased by £10m (3.5%) and it is inevitable that will impact on the Integration Joint Board.
- 6.3 The budget mapping process was on-going from August 2014 and included identifying existing budget information and determining whether the function was in or out of scope. Budget tracking spreadsheets were used to record the impact and details of any subsequent changes to the budget from 2013/14 onwards.
- 6.4 To support integration arrangements a Finance Workstream Group, with two Sub-Groups, was established (see paragraphs 5.1 and 5.2). The detail of any issues or queries that were raised were recorded on the Sub-Group query log. We were content that a robust audit trail around the in scope functions was

maintained and this included review by Social Work to confirm the accuracy and completeness of proposed budget allocations.

- 6.5 In relation to medium term financial forecasting, this was problematic due to the one year financial settlement from the Scottish Government for 2016/17. It is expected that the next settlement from the Scottish Government will be for two to three years and it is recognised that this will significantly facilitate a robust medium term position. The Council identified in its Budget where it thinks savings for the Integration Joint Board should be made.
- 6.6 For financial risk management the approach followed has been to highlight the main factors in relation to the wider economic climate in papers to the Board. For example, key pressures were detailed in the financial update report to the Transitional Board on 05 June 2015. A risk workshop attended by all partners was held on 01 March 2016 and this will result in the presentation of a risk strategy and risk register to the Integration Joint Board.
- 6.7 One outstanding issue relates to the comparability of Falkirk Council's contribution to some of the in scope functions (when compared as a percentage of total spend per head to Stirling and Clackmannanshire). This issue has been recorded as on-going on the Sub-Group query log.
- 6.8 In conclusion, we are content that our due diligence work has confirmed that, in setting the 2016/17 budget for the Integration Joint Board, the Council has been consistent with the requirements of Section 3.2.1 of the Integration Financial Assurance guidance.

7. INTERNAL AUDIT WORK 2015/16 – NHS FORTH VALLEY HEALTH BOARD

- 7.1 The NHS Forth Valley Director of Finance has provided regular Health & Social Care Integration progress updates to the Audit Committee and to the Performance & Resources Committee. Reporting to the Integration Working Group, which includes both Non Executive and Executive membership, has been iterative in that regular update reports have built on information previously reported, with the 2015/16 budget baseline approved for formal sharing with the IJBs on 22 December 2015 by the Performance & Resources Committee. The 2015/16 budget baseline will be used as a starting budget for drafting 2016/17 IJB budgets which is scheduled for consideration at a Special Board meeting on 18 March 2016.

- 7.2 In order to ensure that the IJB budget setting processes undertaken by NHS Forth Valley were appropriate, we examined the *'Integration Joint Board Budget Methodology'* and reviewed a sample of the underlying working papers used to produce these reports. We also discussed the detailed process undertaken with the NHS Forth Valley Director of Finance and Assistant Director of Finance and the IJB Chief Finance Officer.
- 7.3 Principles were established by a methodology paper which was developed and agreed by both Partnerships. An NHS Forth Valley Integration Masterfile spreadsheet was produced to record the previous three years' figures and to track all agreed changes made by the Finance Workstream Group. This spreadsheet has been regularly presented to the Finance Workstream Group and where changes were agreed, they have been made with strict version control. We carried out sample testing of the figures provided to the underlying working papers provided to us and found no exceptions.
- 7.4 Financial Planning for 2016/17 is in progress and the Chief Finance Officer has informed Internal Audit that the intention is for the IJBs to be given a proposed plan around savings and efficiencies, following the NHS Board setting of IJB budgets at the Special Board meeting on 18 March 2016. This aligns with the approach the Local Authorities have taken in budget setting.
- 7.5 We can provide assurance that, in our opinion, the process undertaken to agree the health allocation base budget for 2015/16 has been sufficiently robust and the methodology used sound.
- 7.6 Due diligence has been completed on the baseline budgets for 2015/16, including the amount set aside for IJB consumption of large hospital services, with the remainder of the due diligence work to be completed on conclusion of the Budget Setting process.
- 7.7 As reported in the Audit Scotland report 'Health and Social Care Integration' published in December 2015, the results of the UK spending review were not announced until November 2015 and the Scottish Government published its financial plans on 16 December 2015. Following the Scottish Parliament's approval of the 2016/17 Budget Bill on 24 February 2016, the Cabinet Secretary for Finance, Constitution, and Economy announced initial revenue allocations for 2016/17. The timing of the revenue allocation notification has had an impact nationally on Health Boards' ability to prepare baseline budgets. Therefore, whilst aspects of the IRAG guidance have been addressed through the Finance Workstream, all requirements of the guidance have not yet been fully reported to the IJBs in a way that would fulfil the essence of the guidance i.e. to provide sufficient information to allow the IJBs to assess whether the resources delegated to the IJB are adequate for it to carry out its functions.

8. ARRANGEMENTS FOR DEVISING AND PRESENTING INTERNAL AUDIT PLANS FOR 2016/17 AND SUBSEQUENT YEARS

- 8.1 Internal Audit plans for 2016/17 and subsequent years will require input from the Integration Joint Board Chief Officer, Chief Financial Officer, and External Auditor, as well as the Falkirk Council and NHS Forth Valley Chief Internal Auditors. Preparatory work is required, and a draft Internal Audit 'Universe' has been prepared for discussion between the relevant parties and to facilitate consideration of materiality and risk.
- 8.2 For the moment, the universe is predicated on the assumption that the Internal Audit of operational delivery of services will remain with the NHS Forth Valley and Falkirk Council Internal Auditors, as set out in the IRAG guidance and consistent with s4.1 of the Health and Social Care Integration Scheme for Falkirk, although this may be subject to change as and when the role of the Integration Joint Board evolves.
- 8.3 The Integration Joint Board Chief Internal Auditor will present a draft 2016/17 Internal Audit Plan to the 03 June 2016 meeting of the Integration Joint Board, or to an Integration Joint Board Audit Committee if established before that date. The opportunity will be taken to engage with the Chief Officer and Chief Finance Officer on areas of potential work for inclusion in the 2016/17 Internal Audit Plan. This is likely to include (but not be limited to):
- **Strategic Planning:** review of compliance with elements of the Strategic Plan; and
 - **Governance Arrangements:** including arrangements for Clinical and Care, Financial, Staff, and Information Governance, and overall Corporate Governance including Risk Management, Performance Reporting, and Standing Orders, Financial Regulations, and Schemes of Delegation.
- 8.4 This will allow Internal Audit to provide an early assessment of the robustness of the governance mechanisms in place to control and direct the Integration Joint Board's activities and meet the requirements of both national guidance and the Falkirk Integration Scheme. It will also provide assurance on the extent to which governance documentation and structures of the Integration Joint Board (and the parties) reflect a shared understanding of the Integration Joint Board's role in assurance.
- 8.5 Once the 2016/17 Internal Audit Plan has been approved by the Falkirk Integration Joint Board, details of planned coverage will be made available to the Health Board and Council Audit Committees (as part of existing reporting arrangements).

- 8.6 Following the year end, the Chief Internal Auditor will submit an Internal Audit Assurance Report to the Integration Joint Board (or relevant Committee) reporting on the delivery of the 2016/17 Internal Audit Plan. This will summarise key findings and recommendations, and will provide an opinion on the adequacy and effectiveness of internal control, based on work undertaken.

Approved for Submission by

Internal Audit Manager (FC) and Chief Internal Auditor (NHSFV)

For further information, please contact Gordon O'Connor, Audit Manager (FC) on 01324 506 339 or Tony Gaskin, Chief Internal Auditor (NHSFV) on 01334 696028

Clackmannanshire & Stirling
Integration Joint Board

Audit Committee

1 September 2016

This report relates to
Item 7 on the agenda

Unaudited 2015/16 Integration Joint Board Accounts

(Paper presented by Ewan C. Murray)

For Noting

Approved for Submission by	Ewan C. Murray, Chief Finance Officer
Author	Ewan C. Murray, Chief Finance Officer
Date:	24 August 2016
List of Background Papers:	
Scottish Government – Integration Resourcing Advisory Group (IRAG) Guidance	

Title/Subject: Unaudited 2015/16 Integration Joint Board Accounts
Meeting: Clackmannanshire & Stirling Integration Joint Board: Audit Committee
Date: 1 September 2016
Submitted By: Ewan C. Murray
Action: For Noting

1. Introduction

1.1 The purpose of this report is to present the unaudited accounts to the Audit Committee for consideration.

2. Recommendations

The Audit Committee is asked to:

- Note the Unaudited Annual Accounts
- Note the Management Commentary and Annual Governance Statement contained within the Annual Accounts
- Note the submission of the Unaudited Annual Accounts to Grant Thornton LLP on 30 June 2016

3. Background

3.1. The Local Accounts (Scotland) Regulations 2014 places a statutory obligation on the Clackmannanshire and Stirling Integration Joint Board to submit unaudited Annual Accounts for the year ended 31 March 2016 to its external auditors by 30 June 2016. A copy of the unaudited 2015/16 accounts are attached at Appendix 1.

3.2. Whilst it is recognised that the Clackmannanshire and Stirling IJB did not become legally established until 3 October 2015 and responsibility for service delivery was not assumed until 1 April 2016, annual accounts are required for submission for the period 3 October 2016 to 31 March 2016.

4. Main Body of Report

4.1. The 2015/16 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and the Local Authority Accounts (Scotland) Regulations 2014.

4.2. Under Regulation 9(1) of the Local Authority Accounts (Scotland) Regulations 2014, notice has been given and copies of the unaudited Annual Accounts have been available for public inspection for the period 1 July 2016 to 5 August 2016.

4.3. The Integration Joint Board Chief Finance Officer is continuing to work to prepare and publish final audited 2015/16 accounts by 30 September 2016. Specifically there will require to an update to the management commentary to reflect the changing economic environment post the outcome of the EU Referendum.

5. Resource Implications

5.1. There are no new resource implications arising directly from this report.

6. Impact on Integration Joint Board Priorities and Outcomes

6.1. None

7. Legal & Risk Implications

7.1. Preparation and Publication of Annual Accounts for the Integration Joint Board are a statutory requirement.

8. Consultation

8.1. The Chief Finance officer has consulted with the Director of Finance of NHS Forth Valley and Section 95 officers of Clackmannanshire Council in preparation of the accounts.

9. Equality and Human Rights Impact Assessment

9.1. N/A.

10. Exempt reports

10.1. Not exempt.



**Clackmannanshire
Council**



**CLACKMANNANSHIRE AND STIRLING HEALTH
AND SOCIAL CARE PARTNERSHIP
INTEGRATION JOINT BOARD
UNAUDITED ANNUAL ACCOUNTS 2015/16**



**Clackmannanshire
Council**



Annual Accounts 2015-2016

Contents

1. Management Commentary	3
2. Annual Governance Statement	9
3. Remuneration Report	13
4. Statement of Responsibilities for the Annual Accounts	15
6. The Statement of Accounts	18
7. Notes to the Financial Statements	19



Annual Accounts 2015-2016

1. Management Commentary

Introduction

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. This established the framework for the integration of health and adult social care in Scotland, to be governed by Integration Joint Boards (IJB's) with responsibility for the strategic planning of the functions delegated to it and for ensuring the delivery of its functions through the locally agreed operational arrangements.

Following approval from Clackmannanshire and Stirling Councils and the Forth Valley Health Board (NHS Forth Valley), the Integration Scheme, the formal legal partnership agreement between the three constituent organisations, was submitted to Scottish Ministers on 24 June 2015. On 3 October 2015 Scottish Ministers legally established the Clackmannanshire and Stirling Integration Joint Board. The Integration Joint Board is responsible for the strategic planning of the functions delegated to it and for ensuring the delivery of its functions through the locally agreed operational arrangements.

As health and social care functions in Clackmannanshire and Stirling were not formally delegated to the Integration Joint Board until 1 April 2016, 2015/16 was a 'Shadow Year' to allow the Integration Joint Board to implement the necessary preparations for local implementation of integrated health and social care services.

This publication contains the financial statements for the first year, 'Shadow Year' of Clackmannanshire and Stirling Integration Joint Board for the year ended 31 March 2016.

Principal Activities

Over the shadow year, in anticipation of health and social care functions being formally delegated to the Integration Joint Board on 1 April 2016, the Integration Joint Board's principal role has been ensuring the necessary processes, policies and plans are in place to allow local implementation of integrated health and social care services in terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and its supporting regulations and deliver on the commitments set out within the Integration Scheme.

During 2015/16 the key activities of Clackmannanshire and Stirling Integration Joint Board included:

- Appointment of its permanent Chief Officer (July 2015) and Interim Chief Finance Officer (October 2015) to develop the Integration Authority and have oversight of the joint budget. Establishing a Strategic Planning Group (SPG) to ensure the interests of different local stakeholder groups are represented in relation to health and social care within the strategic planning process
- Development of its Strategic Plan which describes how the Clackmannanshire and Stirling Health and Social Care Partnership will move towards delivering on our vision – setting out the context, challenges, priorities and action plans for the period 2016-2019
- Putting in place sound financial governance and assurance arrangements for the Integration Joint Board in line with national guidance
- Carrying out a due diligence process to consider the social care budget being delegated from the Councils and health budget delegated from NHS Forth Valley to the Integration Joint Board from 1 April 2016, in order for the Integration Joint Board to carry out its delegated functions, and to meet anticipated levels of demand to ensure the Partnership can proceed on a sound financial basis
- Preparation to manage the effective delegation of the prescribed functions to the Integration Joint Board from 1 April 2016
- Issuing of Directions to Clackmannanshire Council, NHS Forth Valley and Stirling Council for their respective delegated functions from 1 April 2016, as set out in the Integration Scheme. The Directions are the mechanism by which the Integration Joint Board instructs the constituent authorities to carry out the delegated functions. These documents set out how the Integration Joint Board expect the constituent bodies to deliver each function, and spend Integration Joint Board resources, in line with the Strategic and Financial Plans.

On 1 April 2016 health and social care functions in Clackmannanshire and Stirling were formally delegated to the Integration Joint Board.

This delegation of functions and services in scope means the Integration Joint Board taking responsibility for the strategic planning and commissioning of adult social care service provision, of Community and Family Health Services relating to in-scope functions, and for large hospital services planning with partners who will continue to manage and deliver the services as part of the pan Forth Valley structures.

The Annual Accounts 2015/16

The Annual Accounts report the financial performance of the Integration Joint Board. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to us for the delivery of the Integration Joint Board's vision and its core outcomes as expressed within the Strategic Plan. The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2015/16 Accounts have been prepared in accordance with the Code and the Local Authority Accounts (Scotland) Regulations 2014.

Integration Joint Board's are required to account for their income and expenditure in a way which complies with their legislative responsibilities.

Performance

The Integration Joint Board is embedding a performance management culture throughout the Partnership. Over the next year we will work towards creating a framework of performance information which will analyse data, track progress and identify action to be taken as required. Regular performance management reports will be provided to the Integration Joint Board, The Strategic Planning Group (SPG) and the operational management teams.

The Partnership also embraces scrutiny including external inspection and self-assessment, and, in addition, benchmarking will be used to compare our performance with other organisations to support change and improvement.

Financial information will be part of this performance management framework with regular reporting of financial performance to the Integration Joint Board.

Financial Outlook, Risks and Plans for the Future

On 1 April 2016 health and social care functions in Clackmannanshire and Stirling were formally delegated to the Integration Joint Board. The Board has a significant financial challenge ahead to deliver improved outcomes for patients/service users, unpaid carers and communities in a climate of growing demand with finite resources.

Additional funding of £250m was allocated by the Scottish Government for Health and Social Care Partnerships for 2016/17 to help address cost pressures in social care including the impact of changes in demography and implementation of the Living Wage from 1 October 2016.

Pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted over the coming years.

In addition to economic performance, other factors will influence the availability of funding for the public sector including local government elections, the Commission

on Local Tax Reform, the outcome of the EU referendum, financial powers arising from the Scotland Act 2012, recommendations arising from the Smith Commission, the introduction of a Single Tier Pension Scheme in 2016 and the demographic challenges that the Partnership is facing.

The most significant risks faced by the Integration Joint Board over the medium to longer term can be summarised as follows:

- increasing demand for health and social care services linked to demographic change including an ageing and increasing population with multiple and complex long term conditions
- the health inequalities between the affluent and more deprived areas and the challenges of deprivation, housing and employment
- the wider financial environment, with further budget pressures anticipated in future years
- the need to maintain and improve the quality of services and improve outcomes for service users, unpaid carers and communities
- workforce challenges including the ageing workforce and issues around recruitment and retention of elements of the health and social care workforce.

This is an opportunity for the Integration Joint Board to use these combined resources in a more effective, efficient and person-centred way to make better use of public resources while creating increased public value in avoiding duplication of effort.

There is an increased demand on services that will exceed available resources if we do not work together in a more integrated way. The Partnership will adopt a whole-systems approach to improve health and social care outcomes and will work alongside Community Planning partners to address these wider issues.

This will ensure a joint contribution to encouraging, supporting and maintaining the health and wellbeing of people who live in our community. This will mean that the IJB can address the challenges faced.

It is recognised that if there are no changes to the way that services are planned and delivered with partners across all sectors, current service provision will not be sufficient to meet the future health and social care needs of the population. We must therefore embed new ways of working and seek to focus resources away from expensive bed based models of care into community based services. We need to critically appraise and challenge our current models of service delivery to ensure our combined resources are focused on areas of greatest need delivering the best outcomes to our service users and patients, and that crucially we harness the capacity of local communities to support the wider preventative, health and wellbeing outcomes



**Clackmannanshire
Council**



The Integration Joint Board's Strategic Plan describes our plans for the future, and how we will move towards delivering on our priorities, setting out the context, challenges, priorities and action plans for the new Health and Social Care Partnership for the period 2016-2019.

The Partnerships strategic plan and associated documents can be accessed here: <http://nhsforthvalley.com/about-us/health-and-social-care-integration/clackmannanshire-and-stirling/consultation-feedback/>

Work is now taking place across the Partnership area to develop the detailed implementation and locality plans.



Conclusion

In this shadow year, 2015/16, the Partnership has successfully prepared for the delegation of functions on 1 April 2016.

Going forward, the Clackmannanshire and Stirling Health and Social Care Partnership has a significant financial challenge ahead to deliver better outcomes for its patients and service users, in line with its Strategic and Financial Plans, in a climate of growing demand within finite resources.

In order to achieve this we must identify and implement more innovative ways to deliver customer focused services cost effectively, by driving service improvement and organisational change within the Partnership through a structured approach to managing change, optimising the use of change and improvement competencies and developing and sharing best practice throughout the Partnership. We will work with staff, managers, services, partners and our communities to lead and support service redesign reviews, to identify and implement innovative, cost effective and person centred, outcomes focused service delivery models and pathways, and contribute to the delivery of the Partnership's Strategic Plan within resources available.

Where to Find More Information

If you would like more information please visit our webpage at:

<http://nhsforthvalley.com/about-us/health-and-social-care-integration/clackmannanshire-and-stirling/>

Councillor Les Sharp
IJB Chair
21 September 2016

Shiona Strachan
Chief Officer
21 September 2016

Ewan C. Murray
Chief Finance Officer
21 September 2016

2. Annual Governance Statement

Introduction

The Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, safeguarding public funds and assets and making arrangements to secure best value in their use. In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes systems of internal control. These are designed to manage risk to a reasonable level, but cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

During 2015/16 the Clackmannanshire and Stirling Integration Joint Board was operating within a governance framework suitable for the implementation phase of the Integration Joint Board and has also developed governance frameworks for the period when the Integration Joint Board becomes responsible for functions from 1st April 2016. On that basis the governance statement is set out to describe the position in terms of the 2015/16 governance framework and the work undertaken to prepare for 2016/17, an assessment of where we are now, and an indication of the areas for further development in our governance.

2015/16 Governance Framework

The Integration Joint Board's governance framework for 2015/16 was built around the following:-

- The appointment of a permanent Chief Officer in July 2015 and an Interim Chief Finance Officer in October 2016
- Regular meetings of the Integration Joint Board (Transitional Board to September 2015) and then formally constituted as a legal body from October 2015.
- The establishment of and regular meetings of a Strategic Planning Group throughout the year to develop of the Integration Joint Board's Strategic Plan.
- Appointment of Internal Auditors for financial year 2015/16 (Stirling Council Internal Audit Service).
- Appointment of External Auditors for financial year 2015/16 (Grant Thornton).
- Completion of a financial assurance process regarding proposed devolved budgetary resources.

Preparation for 2016/17

- In October 2015, the Scottish Government approved the Health and Social Care Partnerships Integration Scheme thus formally constituting the Partnership and the Integration Joint Board with the intention of it being responsible for functions from 1 April 2016.
- In March 2016, the Integration Joint Board approved a Strategic Plan that is the main document determining the strategic direction of the Partnership for period 2016-2019. The approval of the Strategic Plan and agreement of the initial 2016/17 budget allowed compilation of Clackmannanshire and Stirling's Annual Financial Statement setting out the available budgets.
- The Integration Joint Board has approved a series of final or draft documents or actions that will aid its governance from 2016/17 as follows:-
 - Integration Scheme
 - Financial regulations
 - Standing Orders
 - Code of Conduct
 - Agreeing establishment of an Audit Committee
 - Directions to Partners
 - Complaints Handling
 - Performance Framework
 - Clinical and Care Governance Framework
 - Agreement of Internal Audit arrangements
 - Integrated Workforce Plan
 - Risk Management Strategy

As these agreements have been reached a number of them will be reviewed in coming year to ensure they remain fit for purpose as the Integration Joint Board's role develops.

Assessment of Arrangements for 2016/17

The process of developing the Integration Joint Board's governance framework was ongoing throughout 2015/16 and this will continue into 2016/17. The Integration Joint Board has also undertaken a review of its overall governance framework using a self assessment checklist compiled by the Integration Joint Board's 2015/16 Chief Internal Auditor.

The Integration Joint Board will also undertake to consider self-assessment checklists included in Audit Scotland audits of Health and Social Care Integration published in December 2015 and March 2016.

Developments in 2016/17

There are a number of areas of development required in 2016/17, many of these follow on from work already undertaken or will flow from Internal Audit recommendation or the outcomes of other assessments. The developments will include:-

- Establishment of and initial meetings of Audit Committee.
- Appointment of Standards Officer and approval of a Code of Conduct for Integration Joint Board Members.
- Establishment of a leadership group and further development of joint management arrangements
- Further development and monitoring of the Strategic Risk Register.
- Approval of 2016/17 Internal Audit plan.
- Development of Performance Management Arrangements in line with the agreed framework
- Progressing Clinical and Care Governance arrangements in line with the agreed framework.
- The Integration Joint Board will seek to address any gaps in governance identified by the completion of the self –assessment checklist.
- Approval of SASPI (Scottish Accord in the Sharing of Personal Information) protocols

While there remain a number of areas of governance that are work in progress it is the view of the Chief Officer and Chairperson that at the end of the March 2016 the progress with governance arrangement was sufficient to allow the IJB to successfully take on its agreed responsibilities. It is also the accepted position of the Chief Officer and Chairperson that a number of reviews and revisions will be required to Integration Joint Board Governance arrangements during 2016/17.

Management of Risk

Throughout 2015/16 the Integration Joint Board has monitored the risk associated with the implementation phase of Health and Social Care Integration via a Forth Valley wide Programme Board which provided regular updates to the Integration Joint Board from the Programme Manager. This included reviewing risks associated with financial governance issues, partnership development, and reporting frameworks.

The Integration Joint Board has agreed a strategic risk register and this will form the basis of risk management and monitoring arrangements going forward.



A significant Financial Assurance process was undertaken 2015/16. This process reviewed the resources being devolved to the IJB and sought to assess the adequacy of the proposed devolved budgets.

The most significant financial risks faced by the Integration Joint Board over the short and medium term are deliverability of devolved savings and efficiency programmes from Clackmannanshire Council, NHS Forth Valley and Stirling Council, the costs associated with increasing demand for health and social care services largely driven by changing demography, the financial implications of the implementation of the Living Wage within the context of the initial 2016/17 budget settlement and risks associated with Partnership Funds (funds received from the Scottish Government) in future years.

Additionally, the alignment of business planning and budget setting cycles across the Local Authorities and NHS Board presents a challenge for the Integration Joint Board.

Assurance

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Clackmannanshire and Stirling Integration Joint Board’s systems of governance and that the development of governance arrangement to date demonstrates compliance with generally accepted standards of good corporate governance. It is also noted that the Integration Joint Board fully expects to review and continue to develop its systems of governance during 2016/17 to reflect developments in 2016/17 and further shared learning as part of a process of continuous improvement.

Chief Officer	Chairperson
Date	Date

3. Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) require Local Authorities and Integration Joint Board's in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

Voting Board Members

Voting Integration Joint Board members constitute Councillors nominated as board members by constituent authorities and NHS representatives nominated by the NHS Board. The voting members of the Clackmannanshire and Stirling Integration Joint Board were appointed through nomination by Clackmannanshire Council, NHS Forth Valley and Stirling Council.

Voting board members do not meet the definition of a 'relevant person' under legislation. However, in relation to the treatment of joint boards, Finance Circular 8/2011 states that best practice is to regard Convenors and Vice-Convenors as equivalent to Senior Councillors. The Chair and Vice Chair of the Integration Joint Board should therefore be included in the IJB remuneration report if they receive remuneration for their roles. For Clackmannanshire and Stirling Integration Joint Board, neither the Chair nor Vice Chair receive remuneration for their roles. The IJB does not pay allowances or remuneration to voting board members; voting board members are remunerated by their relevant Integration Joint Board partner organisation.

For 2015/16 no voting board members received any form of remuneration from the Integration Joint Board.

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. The IJB is not however empowered to directly employ the Chief Officer; therefore the contract of employment must be with one of the partner organisations. Given the specific legal requirement to appoint a Chief Officer and the special legal regime that applies to the employment contract arrangements, for the purposes of the Remuneration Report, the Integration Joint Board Chief Officer should be regarded as an employee of the Integration Joint Board.

For Clackmannanshire and Stirling Integration Joint Board, the Chief Officer is therefore treated as an employee of the Integration Joint Board, although their contract of employment is with Clackmannanshire Council. The statutory responsibility for employer pension liabilities sits with Clackmannanshire Council as the employing partner organisation. There is therefore no pension liability reflected on the Integration Joint Board balance sheet for Clackmannanshire and Stirling Integration Joint Board's Chief Officer.

Senior Officers

Other officers and staff are not regarded as employees of the Integration Joint Board and are employed through Clackmannanshire Council, NHS Forth Valley or Stirling Council.

The annual salaries and pension entitlement of the Relevant Person is shown in the following tables.

2014/15 Total	Name and Post Title	Taxable Salary £	2015/16 Other Fees and allowances £	Total Earnings In Year £
n/a	Chief Officer: S Strachan	66,598	0	66,598

The pension entitlement for the Chief Officer for the year to 31 March 2016 is shown in the table below, together with the contribution made by Clackmannanshire Council to the pension during the year.

Name and Post Title	Accrued Pension Benefits as at 31 March 2016		Change in accrued pension benefits since 31 March 2015		In Year Pension Contribution For Year to 31 March 2016 £'000
	Pension £	Lump Sum £	Pension £	Lump Sum £	
Chief Officer: S Strachan	1,000	0	n/a	n/a	13,986

Joined Fund July 2015 - Transfer Values Still Being Investigated



4. Statement of Responsibilities for the Annual Accounts

The Integration Joint Board's Responsibilities

The IJB is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). The Chief Finance Officer has been designated as that officer for the Joint Board.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- ensure that the Annual Accounts 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 Accounts were approved for signature at a meeting of the Integration Joint Board on 21 September 2016

Councillor Les Sharp..... Integration Joint Board Chair

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper accounting 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 this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently
- made judgements and estimates which were reasonable and prudent
- complied with legislation; and
- complied with the local authority Accounting Code (in so far as it is compatible with legislation).



The Chief Finance Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Integration Joint Board at the reporting date and the transactions of the Integration Joint Board for the year ended 31 March 2016.

Ewan C. Murray
Chief Finance Officer
30 June 2016



5. Independent Auditor's Report

Independent Auditor's report to the members of Falkirk Integration Joint Board and the Accounts Commission for Scotland

Under arrangements approved by the Commission for Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the annual accounts of Clackmannanshire and Stirling Integration Joint Board for the year ended 31 March 2016 is:

Grant Thornton UK LLP
7 Exchange Crescent
Conference Square
Edinburgh
EH3 8AN

Statement

The audit of the IJB's Accounts for 2015-2016 is not yet complete i.e. the figures are "subject to audit". The certified Accounts will be presented to Clackmannanshire and Stirling Integration Joint Board for approval post audit on 21 September 2016.

6. The Statement of Accounts

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services and managing the Integration Joint Board during the year. It includes, on an accruals basis, all of the Integration Joint Board's day-to-day expenses and related income.

2014-2015				2015-2016		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m	Note	£m	£m	£m
n/a	n/a	n/a	Corporate and Democratic Core	0.080	0.080	-
n/a	n/a	n/a	(Surplus) or deficit on the provision of services	0.080	0.080	-
n/a			Total Comprehensive Income and Expenditure	-		

The costs detailed in the Comprehensive Income and Expenditure Statement relate to staff costs and expenses of Board members.

Balance Sheet

The balance sheet shows the value as at 31 March 2016 of the assets and liabilities recognised by the Integration Joint Board. The net assets of the Integration Joint Board are matched by the reserves held by the Integration Joint Board.

31 March 2015			31 March 2016		
£m		Note	£m		
n/a	Short-term Debtors	4	0.005		
n/a Current Assets			0.005		
n/a	Short-term Creditors	5	(0.005)		
n/a Current Liabilities			(0.005)		
n/a	Net Assets		-		
n/a	Useable Reserves				
n/a	Total Reserves		-		

The unaudited accounts were issued on 30 June 2016

Ewan C. Murray
Chief Finance Officer

7. Notes to the Financial Statements

Note 1 Accounting Policies

The Financial Statements for the year ended 31 March 2016 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Service Reporting Code of Practice, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the IJB and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations. The accounts have been prepared under the historic cost convention and on a going concern basis.

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 where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts where they are deemed material.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statements are authorised for issue.

There are two types of events:

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted.

Events taking place after the date of authorisation for issue are not reflected in the Statements.

Prior Period Adjustments

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Partnership's financial performance.

Where there has been a change in accounting policy, that change will be applied retrospectively. Where there has been a change in accounting estimate, that change

will be applied prospectively. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement or omission will be restated unless it is impracticable to do so.

Provisions

Provisions are made where an event has taken place that gives the IJB a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year.

Reserves

Reserves are created by appropriating amounts out of the revenue balances. When expenditure to be financed from a reserve is incurred it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement

VAT

Value Added Tax (VAT) payable is included as an expense to the extent that it is not recoverable from HM Revenue and Customs. The costs reflected in the Comprehensive Income and Expenditure Statement have been adjusted with regards to the Special Legal Regime applying to Chief Officers under Section (10)1 of the Public Bodies (Joint Working) (Scotland) Act 2014. This deems the transactions relating to Chief Officers to be outside the scope of VAT.

Note 2 Accounting Standards Issued not Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/2017 code:

- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiatives)
- Changes to the format of the Comprehensive Income and Expenditure Statement

The code requires implementation from 1 April 2016 and there is no impact on the 2015/2016 financial statements.

Note 3 Events after the balance sheet date

The Chief Finance Officer, being the officer responsible for the IJB's financial affairs, signed the unaudited Annual Accounts on 30 June 2016. Events taking place after this date are not reflected in the financial statements or notes.

Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 4 Debtors

31 March 2015		31 March 2016
£m		£m
n/a	Related Parties : Constituent Authorities	0.005
n/a	Central Government Bodies : NHS Scotland	-
n/a	Other Local Authorities	-
n/a	Public Corporations and Trading Funds	-
n/a	HM Revenue and Customs	-
n/a	Other entities and individuals	-
n/a	Total Debtors	0.005

Note 5 Creditors

31 March 2015		31 March 2016
£m		£m
n/a	Related Parties : Constituent Authorities	-
n/a	Central Government Bodies	-
n/a	Other Local Authorities	-
n/a	Public Corporations and Trading Funds	-
n/a	HM Revenue and Customs	-
n/a	Other entities and individuals	0.005
n/a	Total Creditors	0.005



Note 6 Related Parties

The Integration Joint Board's related parties are those bodies or individuals that have the potential to control or significantly influence the Integration Joint Board, or to be controlled or significantly influenced by the Integration Joint Board, or where those individuals or bodies and the Integration Joint Board are subject to common control. The Integration Joint Board is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties.

Disclosure of this information allows readers to assess the extent to which the Integration Joint Board might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with them.

All of the Integration Joint Board's funding is provided by Clackmannanshire Council, NHS Forth Valley and Stirling Council.

Note 7 External audit costs

Fees payable to Grant Thornton UK LLP in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2015-2016 were £0.005 million. There were no fees paid to Grant Thornton UK LLP in respect of any other services.

Note 8 Contingent assets and liabilities

A contingent asset or liability arises where an event has taken place that gives the Integration Joint Board a potential obligation or benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Integration Joint Board. Contingent assets or liabilities also arise where a provision would otherwise be made but, either it is not probable that an outflow of resource will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts when they are deemed to be material.

Clinical and Medical Negligence

Clackmannanshire and Stirling Integration Joint Board commissions clinical services to patients under the statutory responsibility of NHS Forth Valley. In connection with this, it is responsible for any claims for medical negligence arising from the services it commissions, up to a specific threshold per claim. For claims in excess of this threshold NHS Forth Valley and IJB are members of the 'Clinical Negligence and Other Risks Indemnity Scheme' (CNORIS). This is a risk transfer and financing scheme which was established in 1999 for NHS organisations in Scotland, the primary objective of which is to provide a cost effective risk pooling and claims management arrangement for those organisations which it covers.

The Regulations governing the CNORIS Scheme were amended on 3 April 2015 so that Integration Joint Boards and Local Authorities could apply to the Scottish Ministers to become members of the Scheme.

CNORIS provides indemnity to member organisations in relation to Employer's Liability, Public/Product Liability and Professional Indemnity type risks (inter alia) no less wider than that generally available within the commercial insurance market. Clackmannanshire Council (through RMP Risk Management Partners), NHS Forth Valley (through CNORIS) and Stirling Council (through Risk Management Partners Ltd) already have relevant insurance cover in place. This will remain in place to cover the employees who are employed by and the services that are delivered by those organisations.



Clackmannanshire and Stirling Integration Joint Board have joined the CNORIS scheme to cover for Board members at this stage with effect from 1st April 2016. The cost of this cover is presently set at £0.003m per annum per Integration Joint Board.

The Integration Joint Board is required to make provision for any claims notified by the NHS Central Legal Office according to the value and probability of settlement. Where a claim is not provided for in full, the balance would be included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for would be recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.