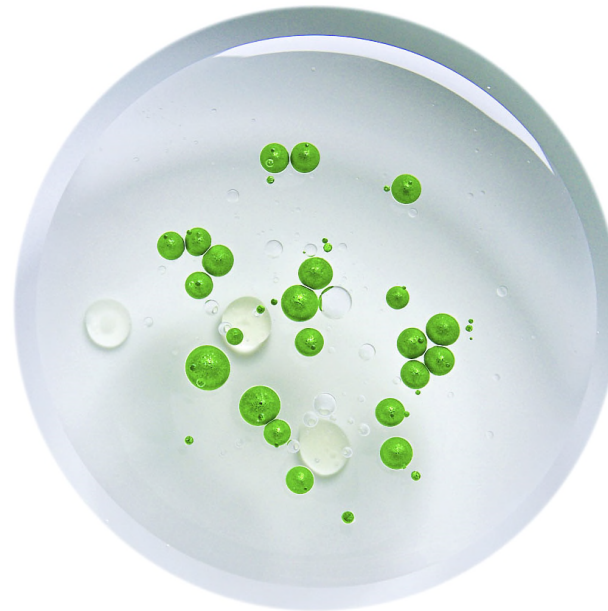




East Ayrshire Council  
Comhairle Siorrachd Àir an Ear



## **East Ayrshire Health and Social Care Partnership**

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

September 2017

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# Director introduction

## The key messages in this report

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

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

I have pleasure in presenting our final report to the Audit & Performance Committee for the 2016/17 audit.

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

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



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

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

# Director introduction (continued)

## The key messages in this report (continued)

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

### Statutory audit

#### Conclusions from our testing

- The significant risks, as identified in our audit plan, related to:
  - management override of controls; and
  - completeness and accuracy of income
- A summary of our work on the significant risks is provided in the dashboard on page 10.
- From our work undertaken we have not identified any audit adjustments.
- Based on our audit work, we have issued an unmodified audit opinion.

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#### Status of the audit

- The audit is complete.

# Director introduction (continued)

## The key messages in this report (continued)

### Best Practice

#### Overall conclusion

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

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### **Financial Sustainability**

The net cost of provision of services in 2016/17 is £0.163m less than services commissioned by the East Ayrshire Health and Social Care Partnership (the 'Board'). However this surplus is after taking account of a non-recurring allocation of additional funds of £0.658m from East Ayrshire Council.

In overall terms management should look closely at the spending patterns in the early part of 2017/18, to ensure any required mitigating actions can be put in place early to avoid budgetary issues.

In the longer term the financial sustainability of the Board is reliant on the Council and the NHS Board's continued commitment to the Board and willingness to provide non recurrent funding if needed. This is of particular importance due to the current lack of a medium or long term financial plan for the Board; a matter which we understand will be a focus of the work of the Strategic Commissioning for Sustainable Outcomes Programme Board. As part of this process we would recommend that the IJB review the demand drivers and the impact on the future costs to identify the relevant mitigating actions.

#### **Financial Management**

The financial management of the Board broadly follows many of the financial disciplines utilised by the Council and as such these include key features that we would expect of an appropriate control system. By way of example, budgets are produced and formally monitored, variances are followed up for action, skilled and experienced financial management specialists are involved and regular reporting is made to those charged with governance.

A number of internal audit reports exist in relation to the Board and whilst these include certain control recommendations, none of these relate to the significant risks that we have identified.

# Director introduction (continued)

## The key messages in this report (continued)

### Adds Value

#### **Governance and transparency**

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

Evidence has been seen of the Audit and Performance Committee's review of key aspects of the Boards activities and performance. We would also consider there to be sufficient diversity within the organisations to provide effective balance and scrutiny in leadership.

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

It takes 2 months from the month end for the financial monitoring report to be prepared and then reported to the Board. Whilst an accelerated timetable would be preferable, we recognised that this is due to complications around the logistics of consolidating the information from the different partners and to ensure that the quality of the reporting is not compromised. While this is in line with other Integrated Joint Boards, we would recommend that the timeliness of the reporting process should be addressed going forward.

#### **Value for money**

Satisfactory financial monitoring and performance reports are submitted four times a year to the Board. These reports include progress in achieving savings and performance targets ('Efficiency Tracker'). Reporting in this regard cover all required indicators and are reported on them on a traffic light system of green, amber and red (and n/a).

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

**Pat Kenny**  
**Audit Director**

# Responsibilities of the Audit & Performance Committee

## Helping you fulfil your responsibilities

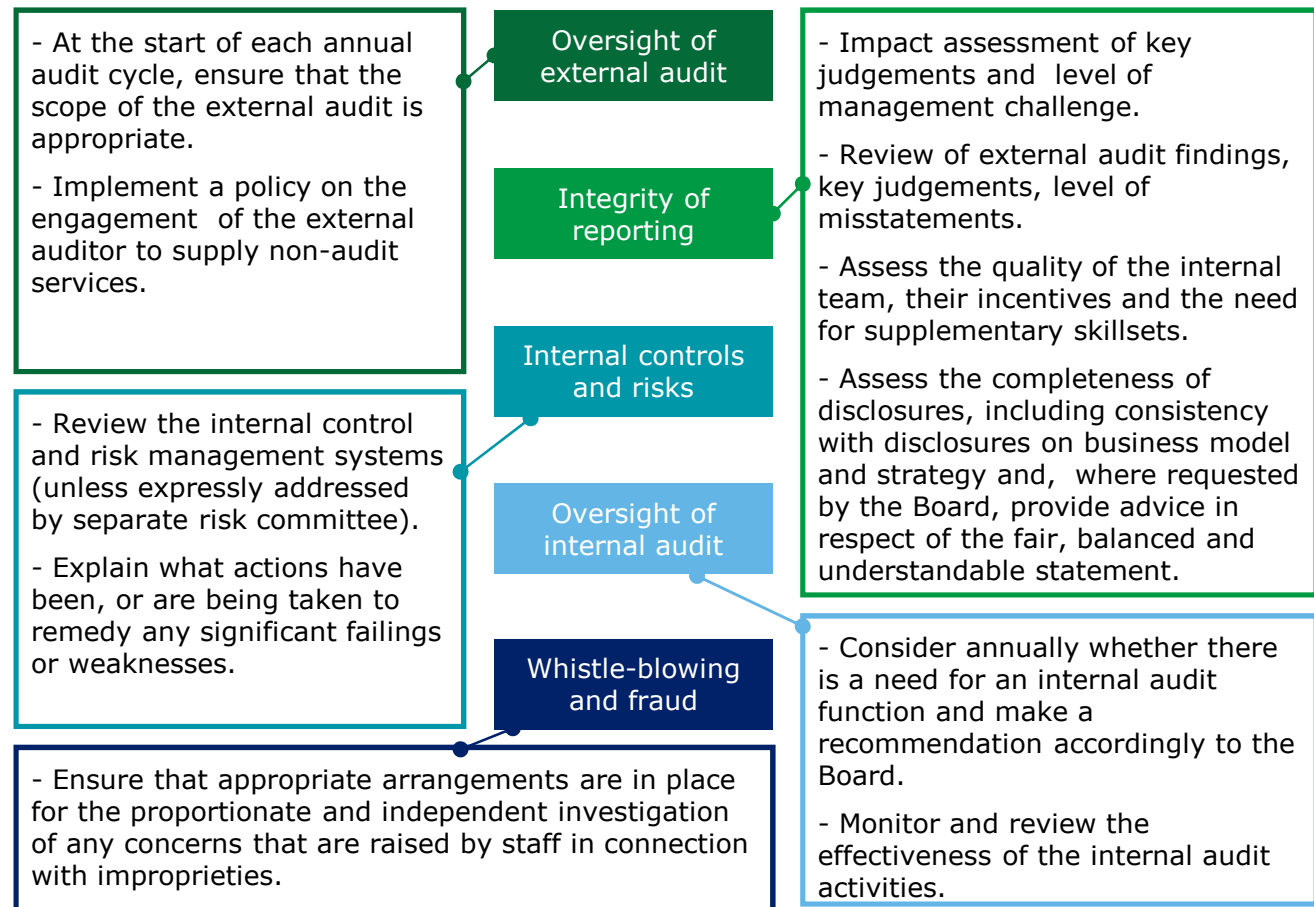
The primary purpose of the Auditor's interaction with the Audit & Performance Committee:

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

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



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





# Our audit explained

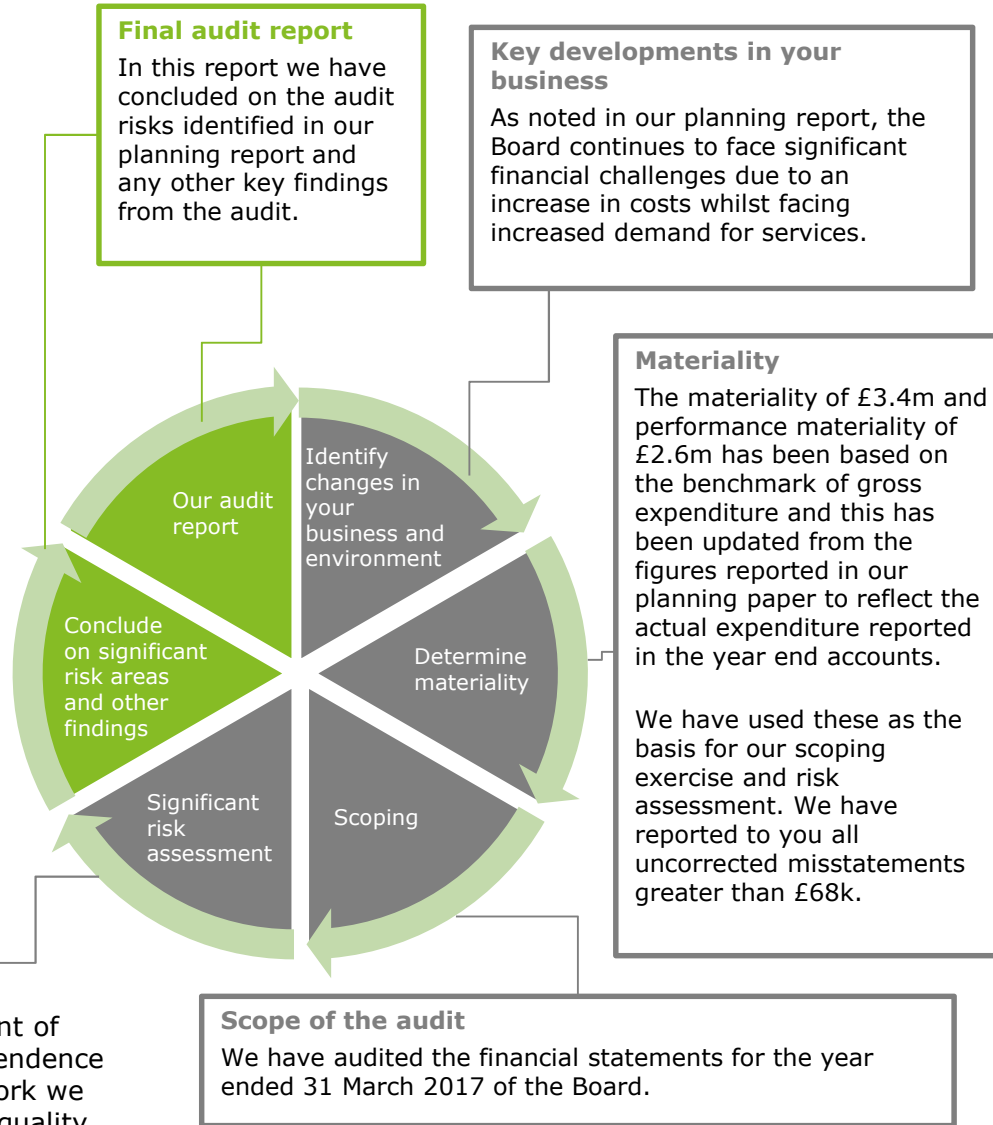
## Area dimensions

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

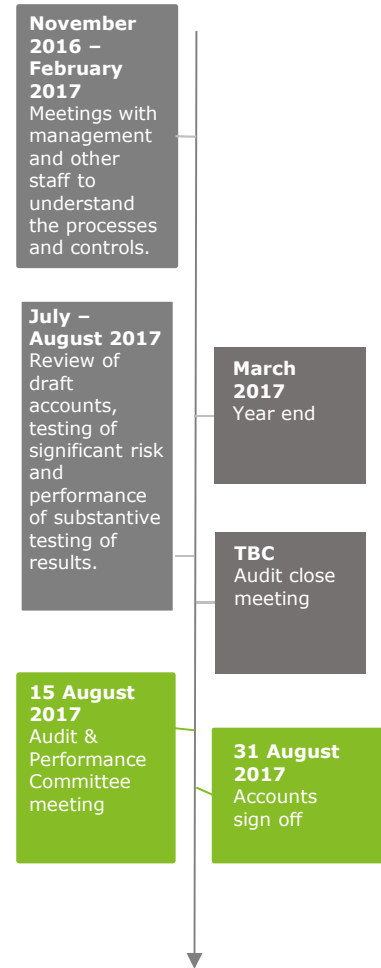
- Financial sustainability
- Financial management
- Governance and transparency
- Value for money

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

**Quality and Independence**  
We confirm we are independent of the Board. We take our independence and the quality of the audit work we perform very seriously. Audit quality is our number one priority.



## Timeline 2017



# Significant risks Dashboard

Risk	Material	Fraud risk	Planned approach to controls testing	Controls testing conclusion	Consistency of judgements with Deloitte's expectations	Comments	Slide no.
Completeness and accuracy of income			D+I	Satisfactory		We have concluded, to our materiality levels, that income is complete and accurate.	11
Management override of controls			D+I	Satisfactory		No issues noted.	12



Overly prudent, likely to lead to future credit Overly optimistic, likely to lead to future debit.

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

# Significant risks (continued)

## Completeness and accuracy of income

### Risk identified

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

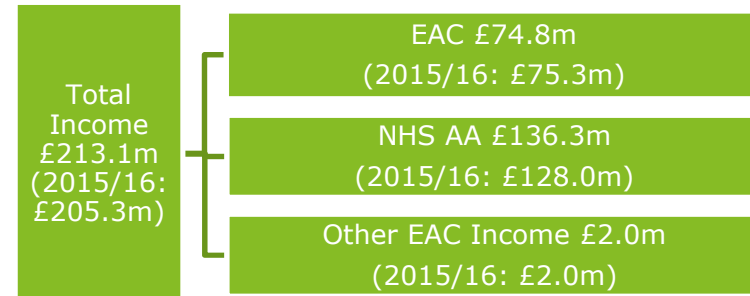
The main components of income for the Board are contributions from its funding partners, namely East Ayrshire Council and NHS Ayrshire and Arran. The significant risk is pinpointed to the recognition of this income, being completeness and accuracy of contributions received from the NHS and the Council.

### Key judgements and our challenge of them



We have performed the following:

- test a sample of income to ensure that the correct contributions have been input and received in accordance with what was agreed as part of budgetary process;
- test the reconciliations performed by the Board at 31 March 2017 to confirm all income is correctly recorded in the ledger;
- compare income recorded with expectations, based on amounts agreed as part of budget process;
- confirm that the reconciliations performed during 2016/17 have been reviewed on a regular basis; and
- assess management’s controls around recognition of income.



### Deloitte response



We have performed the following:

- evaluated the design and implementation of the controls around contributions received from the NHS and the Council surrounding income recognition.

### Deloitte view

We have concluded, to our materiality levels, that income has been recognised in accordance of the requirements of the CIPFA Code of Practice on Local Authority Accounting.

# Significant risks (continued)

## Management override of controls

### Risk identified

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



### Deloitte response

We have considered the overall sensitivity of judgements made in preparation of the financial statements, and note that the Board's results throughout the year were projecting an over spend position and the actual outturn excluding additional non-recurring funding was an over spend of £0.340m, therefore on going reporting throughout the year was reflecting this over spend position suggesting that no Management override of controls was taking place. In addition, senior management's remuneration is not tied to particular financial results of the Board.

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

### Journals

We have made inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. We have reconciled the transactions relevant to the Board to the East Ayrshire Council and NHS Ayrshire and Arran ledgers. We used Deloitte analytic tools to test a sample of journals, based upon identification of items of potential

audit interest. Our analysis covered all manual journals and transactions posted in the year, with no issues noted.

### Accounting estimates

In addition to our work on key accounting estimates discussed previously, we have performed a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements. No issues were identified.

### Significant transactions

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

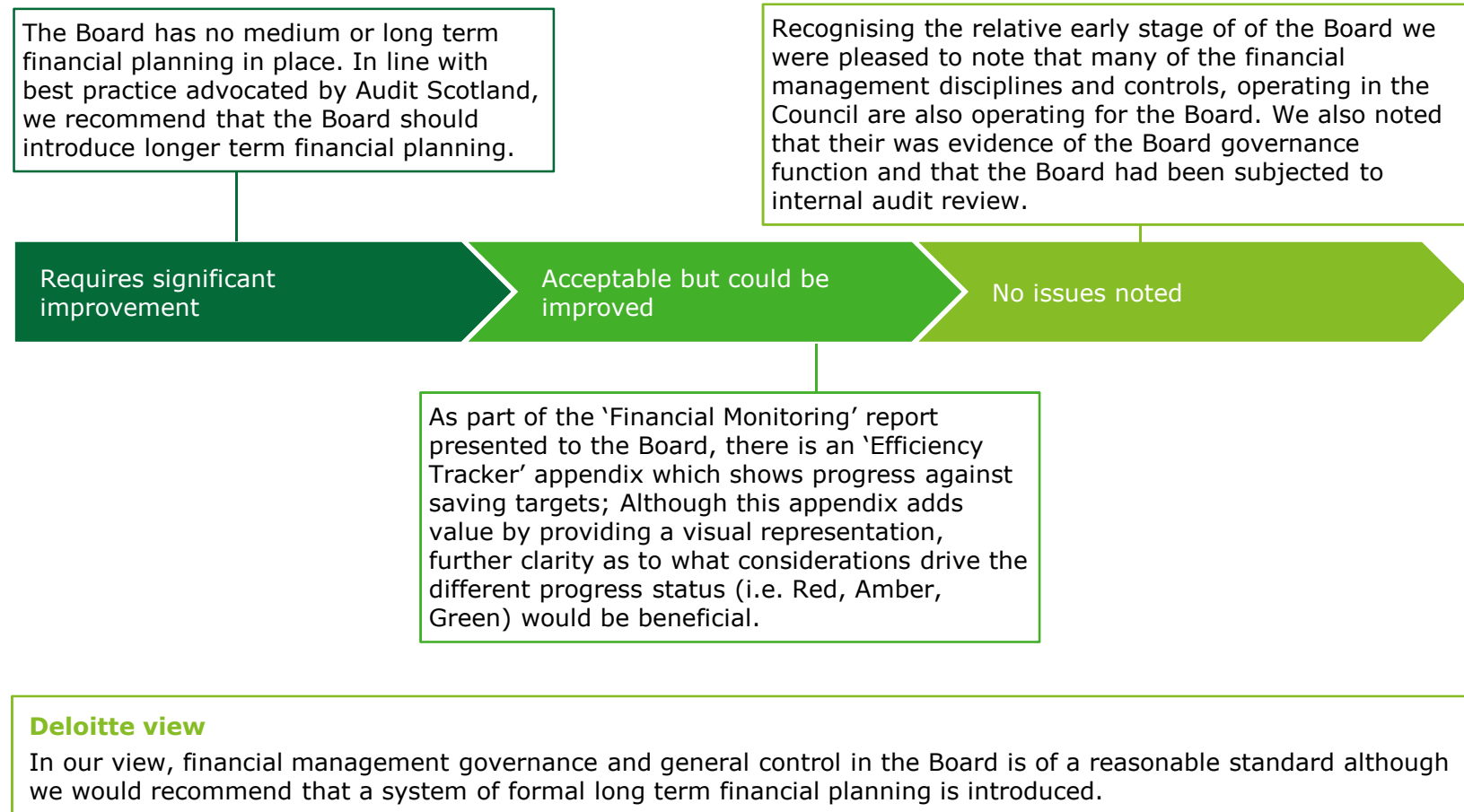
### Deloitte view

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

# Other significant findings

## Internal control and risk management

ISA 315.12 (UK and Ireland) requires we obtain an understanding of internal control relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the audit. We do not test those controls we do not consider relevant to the audit. Below we provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to the audit risks that we have identified.



# Your annual report

We welcome this opportunity to set out for the Audit & Performance Committee our observations on the annual report. We are required to provide an opinion on the remuneration report, the annual governance statement and whether the management commentary has been prepared in accordance with the statutory guidance.

	Disclosure in annual report	Deloitte response
Management Commentary	The Management Commentary comments on financial performance, strategy and performance review and targets. Deloitte note that the Management Commentary has been prepared in line with issued guidance. The commentary included both financial and non financial KPIs and made good use of graphs and diagrams. The Board also focusses on the strategic planning context.	We have assessed whether the management commentary has been prepared in accordance with the statutory guidance. No exceptions noted.  We have also read the management commentary within the draft Board accounts for 2016/17 and confirmed that the information contained within is materially correct and consistent with our knowledge acquired during the course of performing the audit, and is not otherwise misleading.
Remuneration Report	The remuneration report has been prepared in accordance with the 2014 Regulations, disclosing the remuneration and pension benefits of Senior Employees of the Board.	We have audited the disclosures of remuneration and pension benefit, pay bands, and exit packages for all Senior Employees of the Board. No exceptions noted.
Annual Governance Statement	The Annual Governance Statement reports that the Board governance arrangements provide assurance, are adequate and are operating effectively.	We have assessed whether the information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the accounts direction. No exceptions noted.

# Wider scope requirements

## Financial sustainability

### Audit dimension

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



### Areas considered

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



### Deloitte response

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

The Board currently has strong short term financial planning with the budget being approved prior to the financial year commencing and with monthly and quarterly monitoring of the budget. However, due to 2016/17 only being the second year of the Board, the Board has yet to establish medium to long term financial planning.

We have also assessed the Board's performance in undertaking transformational change, reliance on reserves and achievement of savings targets. The Board produces Financial Management reports quarterly, which aid in the decision making process, identify funding gaps and track progress against savings targets.

The net cost of provision of services reported in the financial statements in 2016/17 is £0.163m less than services commissioned by the Board. However this surplus is after taking account of a non-recurring allocation of additional funds of £0.658m from East Ayrshire Council.

# Wider scope requirements (continued)

## Financial sustainability (continued)

### Deloitte response (continued)



Looking at the 2016/17 year in further detail identifies a range of variances from original estimate. The principle areas of over spend are Services for Older People and Secure Accommodation/Outwith Placements within the Children's Services, however, it should be recognised that the over spend of £0.636m in Older People Services only represents a 1.7% over spend against budget. The area of greater significance is the £0.837m over spend in Children Services, which equates to an over spend of 20.3% against original budget. Had this over spend not occurred, no additional non recurring funding would have been required by East Ayrshire Council. From a future sustainability perspective, this matter needs to be addressed as the Secure Accommodation/Outwith Placements within the Children's Services over spend is likely to be a recurring event whilst the additional funding is on a non recurring basis.

In overall terms management should look closely at the spending patterns in the early part of 2017/18, to ensure any over spending trends are curtailed, thereby avoiding the need for non recurring funding in 2017/18. We understand that an interim report was discussed at the Strategic Commissioning for Sustainable Outcomes Board and will be presented at the up coming Audit and Performance Committee and the Board meeting.

The Board also produce an 'Efficiency Tracker' as part of the quarterly Financial Management reports, which traces progress against saving targets.



# Wider scope requirements (continued)

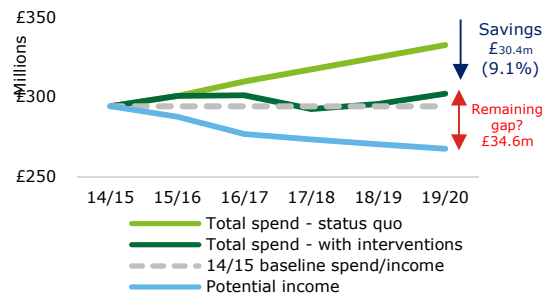
## Financial sustainability (continued)

### Case Studies

Deloitte has been involved in cost reduction work with a number of NHS bodies. We recommend that the Board reviews these case studies and considers them as opportunities for improvement going forward as potential areas for cost reduction.

#### Early Intervention

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



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

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

#### Agency Cost Reduction

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

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

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

# Wider scope requirements (continued)

## Financial management

### Audit dimension

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

### Areas considered



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

### Deloitte response



We have reviewed the systems of internal control including the budget and monitoring for the Board during the year to assess whether these arrangements are effective.

Our view is that they operate at an adequate level for the scale and complexity of the Board. In addition, an appropriate level of financial experience and skills are in place. These control arrangements reflect a number of key elements which are designed to prevent and detect fraud.

The final management reporting outturn for 2016/17 was an in-year surplus of £0.318m, however this closing position is inclusive of the additional funding of £0.658m from East Ayrshire Council on a non-recurring basis and the planned use of earmarked reserves of £0.155m.

The expenditure reported for management purposes to the Board's is shown in the table below;

The underspend of £0.318 million has been earmarked for carry forward to pay for equipment adaptation and aids for 'care at home' budgets.

Management Reporting: Actual Expenditure Compared to Budget	2016/17 Budget £m	2016/17 Actual £m	2016/17 Variance £m
Core Services	120.444	120.496	0.052
Non District General Hospitals	4.077	4.092	0.015
Lead Board Services	69.419	69.419	0.000
Children's Services	26.767	27.161	0.394
Funded Elements	(2.292)	(2.413)	(0.121)
Additional Funding (Non recurring)	0.658	0.000	(0.658)
Net Expenditure	219.073	218.755	(0.318)

# Wider scope requirements (continued)

## Governance and transparency

### Audit dimension

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making, and transparent reporting of financial and performance information.

#### Areas considered



- Governance arrangements
- Scrutiny, challenge and transparency on decision making and financial and performance reports
- Quality and timeliness of financial and performance reporting

#### Deloitte response



We have reviewed the financial and performance reporting to the Board during the year as well as minutes of the Audit & Performance Committees to assess the effectiveness of the governance arrangements. Our attendance at Audit & Performance Committees also inform our work in this area.

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

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

Our conclusion is that appropriate Governance arrangements exist and we have obtained evidence of Board and Management scrutiny and challenge relating to the Financial and performance management of the Board. Reporting in this regard has been on a timely basis, although we would recommend, where possible for reporting to be earlier than the current two month timescale between reporting and actual performance.

# Wider scope requirements (continued)

## Value for money

### Audit dimension

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

### Areas considered



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

### Deloitte response



An accountable officer has a specific responsibility to ensure that arrangements have been made for the Board to secure Best Value, including arrangements for scrutinising performance and holding partner organisations to account.

Satisfactory financial monitoring and performance reports are submitted four times a year to the Board. These reports include progress in achieving savings and performance targets ('Efficiency Tracker'). Reporting in this regard cover all required indicators and assess them on a traffic light system of green, amber and red (and n/a).

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

### Best Value audit work

The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The BVAR report for the East Ayrshire Council, is planned for later in the year and will include a review of health and social care integration.

The Best Value audit work carried out later this year will include consideration from the Council's perspective of the Board's arrangements for demonstrating Best Value in *financial and service planning, financial governance and resource management* but will obvious impact on the Board as well.

# Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

## What we report

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

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

## What we don't report

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

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

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

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

## The scope of our work

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

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

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

*Deloitte LLP*

**Deloitte LLP**

Glasgow

26 September 2017

# Technical update



# National performance reports

## Summary of reports issued over the past year

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

Published November 2016

#### **Headline messages**

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

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

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

#### **Impact on East Ayrshire IJB**

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

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

Published November 2016

#### **Headline messages**

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

#### **Impact on East Ayrshire IJB**

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

# National performance reports (continued)

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

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

Published March 2017

#### Headline messages

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

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

#### Impact on East Ayrshire IJB

The report was focused on Councils but also makes general recommendations on good practice (copied here for reference), that the IJB may find worth considering when setting priorities and budgets for future periods.

#### Recommendations

##### IJBs should:

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



# National performance reports (continued)

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

### **NHS Scotland 2016**

Published October 2016

#### **Headline messages**

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

#### **Impact on East Ayrshire IJB**

The IJB should take ownership of changing and improving services in their local area, working with relevant partner organisations.

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

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

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

Published February 2017

#### **Headline messages**

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

#### **Impact on East Ayrshire IJB**

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

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

# Appendices



# Audit adjustments



## Unadjusted misstatements

No uncorrected misstatements have been identified as part of our audit.

	Debit/ (credit) Assets £m	Debit/ (credit) Liabilities £m	Debit/ (credit) Equity £m	Debit/ (credit) Income Statement £m	If applicable, control deficiency identified
<b>Misstatements identified in current year</b>					
None noted.					
<b>Misstatements identified in prior years</b>					
None noted.					
<b>Aggregation of misstatements individually &lt; £xm</b>					
<b>Total</b>					
<b>Disclosure misstatements</b>					
No uncorrected disclosure misstatements have been identified as part of our audit.					
Disclosure	Summary of disclosure requirement		Quantitative or qualitative consideration		
None noted.					

# Action plan

## Recommendations for improvement

Area	Recommendation	Management Response	Priority
Financial Sustainability	The Board should prepare a medium to long term financial plan. As part of this process we would recommend that the IJB review the demand drivers and their impact on the future costs to identify the relevant mitigating actions.	The Strategic Commissioning for Sustainable Outcomes Programme Board, a recently established Board, will consider assumptions around future demand and funding for the IJB and will also ensure alignment of the IJB with the EAC's 'Budget Transformation Strategy 2'. A medium term financial plan will form part of the work undertaken by this Board.	
Governance and transparency	We would recommend that the timeliness of the reporting process should be reviewed going forward to ensure that the board is receiving timely information.	The current timetable is set around a protocol whereby the Director of Health and Social Care is also a Director of both funding partners. Reports for Council and NHS managed services are tabled for noting by both partners following which the reports are tabled for consideration by the IJB collectively. A further complication is that the Council has 13 accounting periods while NHS A&A have 12 periods and this is an added challenge in consolidating detailed Financial Management Reports to the IJB.	

**Key:**



High Priority



Medium Priority



Low Priority

# Fraud responsibilities and representations

## Responsibilities explained



### Responsibilities:

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



### Required representations:

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

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



### Audit work performed:

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

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

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

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

### Deloitte view:

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



# Independence and fees

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

<b>Independence confirmation</b>	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we and, where applicable, all Deloitte network firms are independent and our objectivity is not compromised.
<b>Fees</b>	<p>The audit fee for 2016/17 is £22,434 as detailed in our Audit Plan.</p> <p>No non-audit service fees have been charged by Deloitte in the period.</p>
<b>Non-audit services</b>	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
<b>Relationships</b>	<p>We are required to provide written details of all relationships (including the provision of non-audit services) between us and the organisation, its board and senior management and its affiliates, including all services provided by us and the DTTL network to the audited entity, its board and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our objectivity and independence.</p> <p>We are not aware of any relationships which are required to be disclosed.</p>



# Events and publications

## Our events and publications to support the organisation

### Sharing our informed perspective

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

Recent publications relevant to the local authorities are shared opposite:

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

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

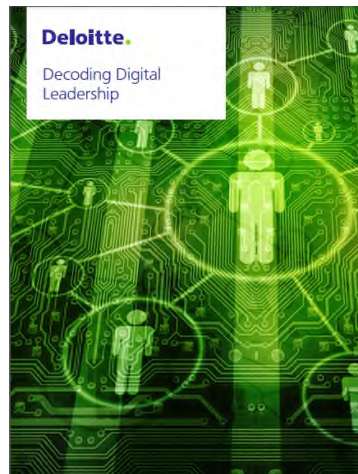
<http://www2.deloitte.com/uk/en/pages/public-sector/articles/the-great-integration-challenge.html>

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

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

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

### Publications



### Decoding Digital Leadership Surviving Digital Transformation

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

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

Download a copy of our publication here:

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



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