

south ayrshire
health & social care
partnership

South Ayrshire Integration Joint Board

Annual Accounts 2016/17

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Management Commentary

The Role and Remit of the Integration Joint Board (IJB)

South Ayrshire Integration Joint Board was established as a body corporate by order of the Scottish Ministers on 2 April 2015 as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB has responsibility for providing social care and defined health care services for the residents of South Ayrshire, encompassing an area of 242 square miles and a population of 113,000. It borders onto Dumfries and Galloway, East Ayrshire and North Ayrshire. In addition, the IJB provides specific health care services across Ayrshire by means of lead partnership arrangements agreed in the Integration Scheme between NHS Ayrshire and Arran and South Ayrshire Council.

South Ayrshire Council and the NHS Ayrshire and Arran Health Board, as the parties to the Integration Scheme, each nominate four voting members to sit on the IJB. The Council nominates Elected Members and the Health Board Non-Executive and Executive Directors, with the majority being Non-Executive Directors. A Council nominee was the Chair of the IJB in 2016/17 and the Vice Chair was drawn from NHS Board Non-Executive Directors.

A number of non-voting Representative Members sit on the Integration Joint Board and contribute to its proceedings. These Representatives are chosen from the Third Sector, the Independent Sector, Carers, Services Users, and Council and NHS Board staff. A GP Stakeholder Member has also been appointed along with a Medical Practitioner who is not a GP.

Management support to the IJB is led by the Director of Health and Social Care. The operational structure is divided into three principal service areas:

- Community Health and Care Services,
- Children's Health, Care and Criminal Justice Services and
- Allied Health Professions.

The main purpose of integration is to improve the wellbeing of families, our communities and of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time.

The Integration Joint Board, as part of its updated Strategic Plan for 2016-19 approved by the Integration Joint Board at its meeting on 17 June 2016, agreed the

following vision for the Health and Social Care Partnership: “Working together for the best possible health and wellbeing of our communities”.

The Integration Scheme puts in place a framework designed to deliver the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under Section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014. It similarly seeks to deliver against National Outcomes for Children and Families and for those in the Criminal Justice System and to do all of this in a way that is consistent with the National Delivery Principles set out in Section 4 and Section 31 of the 2014 Act.

The IJB Strategic Plan sets out a number of Strategic Objectives and Policy Priorities with accompanying Implementation and Resource Plans, Performance Framework and Strategic Risk Assessment, all designed to ensure a direction of travel by the Partnership consistent with National Objectives. The Partnership’s agreed Strategic Objectives are as follows:

- Reduce the inequality gradient and in particular address health inequality.
- Protect children and vulnerable adults from harm.
- Ensure children have the best possible start in life.
- Support people to live independently and healthily in local communities.
- Prioritise preventative, anticipatory and early intervention approaches.
- Proactively integrate health and social care services and resources for adults and children.
- Develop local responses to local needs.
- Ensure robust and comprehensive partnership arrangements are in place.
- Support and develop our staff and local people.
- Operate sound strategic and operational management systems and processes.
- Communicate in a clear, open and transparent way.

The IJB's Operations for the Year

The environment in 2016/17 continued to be challenging with demand for services continuing to rise. The budget set for 2016/17 required cost reductions of £5.9 million; these have been partly managed on a non-recurring basis to allow recurring solutions to be identified. It is expected that proposals to manage the budget in 2017/18 will be agreed in June 2017.

The most significant pressure within the IJB is the need to provide suitable care for the frailest of our population. The set aside budget for unscheduled care in the acute hospitals of NHS Ayrshire & Arran is part of the IJB budget. The impact of this is that the IJB needs to influence the use of these acute beds and ensure that services are provided to support people in their local communities. At the start of 2016/17 there were a number of patients whose discharge was delayed from the acute beds partly due to funding constraints at the end of 2015/16. Once funding had been established the delays continued as there were insufficient residential and nursing home places which met the requirements of those needing a place. In the latter part of 2016/17 the position improved and the numbers of delayed discharges have fallen. At the same time, there have continued to be difficulties in recruiting staff to the Biggart hospital. To ensure the service was safely provided there was no alternative to temporarily closing some of the beds. Despite a lower number of beds there has been a significant overspend on the budget for Biggart hospital as some posts had to be covered by agency staff at a cost greater than funded.

During 2016/17 the Care Inspectorate reviewed the Integrated Children's Services within South Ayrshire. The Integration Joint Board received the report on the joint inspection. Against the nine quality indicators used in the inspection the total evaluation shows good/adequate on seven of the indicators; two indicators were shown as weak: Planning and improving services and Leadership of improvement and change.

The Director of Education in South Ayrshire Council will lead on responding to the inspection. An action plan is being prepared by the Integrated Children's Services Planning Group.

There has been an emphasis on enhancing the home care service provision and the community reablement teams to support people to achieve their potential for independent living as quickly as possible. This has been proven to be in the best interests of people as the longer a period of dependence the less likely a return to full independent living is likely to be achieved.

During 2016/17 there has been extensive negotiation with external providers on the introduction of the living wage and its financial consequences across providers. This increase has also initiated reviews of how services can be safely provided in the

most cost effective manner and will lead to a number of services being recommissioned following the preparation of new Commissioning Plans.

It has been agreed to establish a Joint Equipment Service in South Ayrshire for all of the Health and Social Care partnerships and NHS Ayrshire & Arran Health Board. The creation of this service should ensure that people receive the equipment with a single assessment to ensure their needs are met. It is anticipated that this service should commence in the last quarter of 2017/18.

During 2016/17 the Integration Joint Board approved the following which enhance the performance and communication of the Integration Joint Board:

- Participation and Engagement Strategy
- Equality Outcomes
- Publication Scheme to comply with the Freedom of Information Act
- First Annual Performance Report for 2015/16

In addition to specific needs for the carry forward of resource to 2017/18 there has been a general underspend. The requirement for cost reductions was considerable and while recurring sources were not identified fully there was a strong commitment to deliver services within budget. The nature of some of the expenditure within the IJB can be volatile and difficult to predict e.g. the need to provide high cost care packages to children at short notice. The underspend is 0.6% of the overall budget.

The month 12 finance position reported to the IJB was:

	2016/17 Budget		
	Total		
	Budget	Actual	Variance
	£000	£000	£000
Community Care & Health			
Older People	35,944	35,589	355
Physical Disabilities	3,217	3,033	184
Biggart Hospital	4,612	5,127	(515)
Girvan Hospital	1,162	1,160	2
Community Nursing	4,058	3,848	210
Total Community Care & Health	48,993	48,757	236
Primary Care			
Prescribing	24,766	24,766	0
General Medical Services	14,468	14,211	257
Total Primary Care	39,234	38,977	257
Mental Health Services			
Learning Disabilities	17,814	17,897	(83)
Mental Health Community Teams	5,928	5,842	86
Addiction	1,756	1,691	65
Total Mental Health Services	25,498	25,430	68
Hosted Services			
Continence Team/Community Store	946	1,079	(133)
Technology Enabled Care	406	131	275
Allied Health Professionals	21,143	19,828	1,315
Total Hosted Services	22,495	21,038	1,457
Children and Criminal Justice Services			
Children and Families Service	20,072	19,561	511
Criminal Justice	148	59	89
Health Visiting	1,925	1,855	70
Total Children and Criminal Justice Services	22,145	21,475	670
Integrated Care Fund/ Delayed Discharge	3,042	2,343	699
Support Services			
Directorate	1,406	3,439	(2,033)
Other Services (e.g. transport, advocacy)	1,860	1,786	74
Aids and adaptations	861	903	(42)
Payroll management target	(1,430)	(1,323)	(107)
Total Support Services	2,697	4,805	(2,108)
Inter Agency Payments	0	0	0
Partnership Total	164,104	162,825	1,279
Adjust for			
Net Lead Partnership Charges	20,518	20,518	0
Acute Hospitals	22,416	22,416	0
IJB Total	207,038	205,759	1,279

In preparing the Comprehensive Income and Expenditure Statement the costs and recharges of Lead partnership Services have been allocated across the services provided rather than reported as a single line.

It should be noted that the cost reductions for health care were reported as a general target within the Directorate line in Support Services as detailed specific plans were not established. The Health budget was not approved until June reducing the time available to introduce cost reduction plans. This significant overspend is offset mainly by the underspends in Allied Health Professionals (AHPs) where there was a commitment to reduce costs with plans being developed to deliver the cost reductions on a recurring basis. Vacancy management within Community Nursing also contributed to this target on a non-recurring basis. For the purposes of the annual accounts and for Lead partnership services in particular the target cost reductions have been notionally shared across services.

Reviewing other material variances, bearing the magnitude of the budget:

- The costs of self directed support packages within Physical Disabilities and Older People were lower than expected.
- The overspend at Biggart arose as vacancies had to be covered by the use of agency staff at a premium cost which is not funded. Due to the difficulties in obtaining staff a number of beds were closed on a temporary basis as it was not possible to provide a safe service for the full number of beds.
- The funding for Community Equipment has been lower than the costs of the demand; this will be rectified in 2017/18.
- The underspend on TEC (Technology Enabled Care) will be placed in a reserve at 31 March 2017. The funding allocation was agreed in January 2017 and therefore could not be fully used in 2016/17.
- Although temporary funding was provided in 2016/17 for care home places, the lack of appropriate places for those awaiting residential care resulted in a year end underspend.
- Children and Families underspend arose due mainly to one-off benefits from residential unit staffing, additional grant income received and child disability care packages offset by an overspend on outwith authority placements.

Each of the three Ayrshire IJBs reported a balanced position on their lead/hosted service. This position was achieved by a range of actions including vacancy management; additional funding from NHS Ayrshire & Arran Health Board, application of non-recurring funding and consideration of how cost reduction targets would be met. The specific approach in each partnership was agreed by the relevant IJB.

The IJB's Position at 31 March 2017

At 31 March 2017 the resources that are available to the IJB in 2017/18 total £1.3 m. These consist of:

- Allocation for Technology Enabled Care in 2016/17 for which most of the expenditure will be incurred in 2017/18.
- Allocation for Physiotherapy in 2016/17 for which the expenditure will be incurred in 2017/18.
- Three minor underspends for which there is a need to allow the 2016/17 funding to be available in 2017/18.
- A general underspend generated while managing volatile levels of expenditure in a period of high demand. This underspend will give some flexibility in managing continued pressures in 2017/18 and offer the opportunity to create non-recurring additional investment to drive further redesign.

It is expected that there will be a continuing increase in the demand for health and social care services primarily due to the changing demographics of our population and their associated needs. For 2017/18 the IJB will receive an additional investment directed by the Scottish Government through the Health Board. South Ayrshire Council has provided additional recurring and non-recurring funding acknowledging the pressures within which the IJB will operate. The use of the non-recurring funding will be approved by South Ayrshire Council to support initiatives which should result in more effective use of resource in the medium to long term. Due to the 2017/18 funding settlement for NHS Ayrshire & Arran Health Board the 2017/18 budget for health services commissioned by the IJB will be at the same level as 2016/17 and therefore the costs of any inflation and demographic pressures need to be met by cost reductions achieved by the IJB. The budget for 2017/18 has a relatively minor shortfall which will be managed from the general reserve at 31 March 2017 to allow recurring solutions to be established. This position is after identifying £4.8 m of cost reductions. The funding position for future years is not clear but is not expected to fully meet ongoing inflationary and demand pressures.

It is recognised that continuing with previous approaches to service delivery will be inadequate in addressing what needs to be done. The IJB needs to critically appraise its services and how they are commissioned.

The IJB's Strategy and Business Model

The Strategic Plan agreed by the IJB aims to support the people of South Ayrshire to have the best start in life and to live independently, healthily and safely in their local communities and where they can expect Community Planning Partners to work with them, collaboratively, to address health, economic and social inequalities. The IJB will put in place plans and arrangements that will support the growth of community and primary care services and will work with communities and partners to find innovative ways to accomplish this in what are extremely challenging financial circumstances. Through the adoption of this approach and a policy agenda focussed on the needs of the individual; early intervention, prevention and anticipatory care planning; personalisation and self-directed support; the innovative use of technology in the home to support care needs and health; all co-produced with communities, where local capacity will be built and local assets encouraged, the IJB's priority, while continuing to support our Acute Hospitals will be to shift the balance of care from hospitals and other institutions to local communities.

A Performance Framework has been designed to offer accountability against the objectives and tasks agreed in the Strategic Plan. The Performance Framework is monitored by regular reports to the Performance and Audit Committee of the IJB. The Strategic Plan was originally written for the period 2015-18 and has been refreshed and rolled on for one year. In 2018 the document will be completely rewritten and a whole new Strategic Plan produced. To support this approach detailed plans for Mental Health Services and Learning Disabled Services have been produced and the proposals issued for public consultation.

Included in the revision to the Strategic Plan has been the outcome of an assessment of the emerging cost pressures and the implications of the decisions made by funding partners. This will continue to be refined and will include a determination of the impact of agreed changes in the way services are delivered.

In 2016/17 there was a shift in the utilisation of the Integrated Care Fund with the aim of enhancing community support in a more focussed manner. The purpose in doing this was to reduce inappropriate admissions and to offer enhanced support to people on their discharge from hospital when they were at their most frail. There are signs that there is a lower need for long stay hospital beds and the use of nursing home placements has fallen with a corresponding increase in the use of residential placements. Due to delays in recruitment these benefits arose later in the year but it is hoped that this signals the start of a shift from institutional care.

The management structures within the partnership are integrated at a senior level with individual managers having responsibility for both health and social care throughout all adult and children services. It is believed that this structure should

enhance the needs of an individual being met by a complete package of care rather than a range of individual components.

There is continual monitoring of the activity e.g. bed occupancy, number of care home placements, and number of packages of care. At times this can be challenging due to the absence of integrated information systems. Regular financial information is shared based on the known activities and this forms the basis of regular reports to the IJB on the projected performance against budget.

The Integration Joint Board approved 2016/17 financial directions to South Ayrshire Council and NHS Ayrshire & Arran Health Board setting out the funding available for the delegated services.

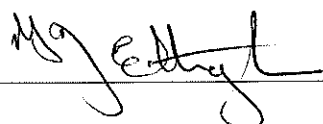
Key Risks and Uncertainties

The funding of the IJB is reliant on agreement with South Ayrshire Council and NHS Ayrshire & Arran Health Board who in turn have their funding set primarily by the Scottish Government. It is anticipated that the funding available will not rise to meet the expected increase in demand arising from an increasingly elderly population and therefore services will need to be redesigned and expectations managed to allow services to be provided in the most cost effective manner within the resource available.

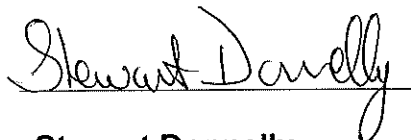
Following the recent Council elections and the retirement of a Board member it is known that there will be a relatively high number of new Board members in 2017/18. There is likely to be a consequent loss of continuity with a reduction in the level of understanding of the IJB operations. This is being addressed by the provision of briefings and training to the IJB.

Analysis of the Financial Statements

The financial statements for 2016/17 are set out on pages 24-27 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*). The Notes to the financial statements on pages 28-38 explain the basis for the recognition, measurement and disclosure of transactions and other events in the Annual Accounts, to ensure that they present a 'true and fair view' of the IJB's financial performance. An explanation of each of the financial statements which follow and their purpose is shown at the top of each statement.



Tim Eltringham
Chief Officer
13 September 2017



Stewart Donnelly
Chair of the IJB
13 September 2017



Sharon Lindsay BAcc CA
Chief Finance Officer
13 September 2017

Statement of Responsibilities

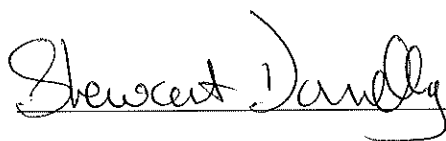
Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this IJB, that officer is the chief finance officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Ensure the Annual 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.

I confirm that these Annual Accounts were approved for signature at a meeting of the Board of South Ayrshire Integration Joint Board on 13 September 2017.

Signed on behalf of the South Ayrshire Integration Joint Board



Stewart Donnelly
Chair of the IJB

13 September 2017

Responsibilities of the Chief Finance Officer

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


In preparing the Annual Accounts, the chief finance officer has:

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

The chief finance officer has also:

- kept proper accounting records which were up to date
- 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 South Ayrshire Integration Joint Board as at 31 March 2017 and the transactions for the year then ended.



Sharon Lindsay BAcc CA
Chief Finance Officer

13 September 2017

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff. There are no employees of the IJB; the staff in the Health and Social Care partnership is employed by South Ayrshire Council or NHS Ayrshire and Arran Health Board.

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

Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by South Ayrshire Council and NHS Ayrshire & Arran Health Board. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative. The Chair of the IJB was Councillor Rita Miller from 2 April 2015. The Vice Chair of the IJB was Stuart Donnelly from 1 February 2016; Stuart is the Employee Director, NHS Ayrshire and Arran.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The details of the Chair and Vice Chair appointments and any taxable expenses paid by the IJB are shown below.

Taxable Expenses 2015/16 £	Name	Post(s) Held	Nominated by	Taxable Expenses 2016/17 £
0	Councillor Rita Miller	Chair April 2015 to March 2017	South Ayrshire Council	0
0	Stuart Donnelly	Vice Chair February 2016 to March 2017	NHS Ayrshire & Arran Health Board	0
0	Total			0

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

Remuneration: Officers of the IJB

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

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

Other Officers

No other staff are appointed by the IJB under a similar legal regime.

The chief finance officer is appointed by the Integration Joint Board and is employed by NHS Ayrshire and Arran as their Assistant Director of Finance – Operational Services. NHS Ayrshire and Arran meets the full cost of this remuneration.

Total 2015/16 £	Senior Employees	Salary, Fees & Allowances £	Taxable Expenses £	Compensation for Loss of Office £	Total 2016/17 £
108,511	Tim Eltringham Chief Officer 1 April 2016 to 31 March 2017	109,430	340	0	109,770
108,511	Total	109,430	340	0	109,770

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

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to

support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/16	For Year to 31/03/17		Difference from 31/03/16	As at 31/03/17
	£	£		£	£
Tim Eltringham	20,920	22,876	Pension	2,715	48,720
Chief Officer 1 April 2016 to 31 March 2017			Lump sum	988	99,867
Total	20,920	22,876	Pension	2,715	48,720
			Lump Sum	988	99,867

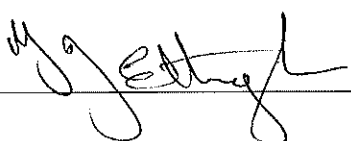
Disclosure by Pay Bands

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

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
1	£105,000 - £109,999	1

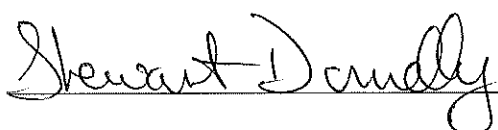
Exit Packages

There have been no exit packages.



Tim Eltringham
Chief Officer

13 September 2017



Stewart Donnelly
Chair of the IJB

13 September 2017

Annual Governance Statement

Introduction

The Annual Governance Statement explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control.

Scope of Responsibility

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

To meet this responsibility the IJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the IJB's policies, aims and objectives. Reliance is also placed on NHS Ayrshire & Arran Health Board and South Ayrshire Council systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

The Board of the IJB comprises voting members, nominated by either South Ayrshire Council or NHS Ayrshire & Arran Health Board, as well as non-voting members including a Chief Officer appointed by the Board.

The main features of the governance framework in existence during 2016/17 were:

- The Integration Scheme established between South Ayrshire Council and NHS Ayrshire & Arran Health Board to integrate Health and Social Care services is the constitutional basis of the South Ayrshire IJB. The Integration Scheme sets out financial contributions by partners to Integration Joint Boards. This includes the Health Board and Council each considering funding their pay cost pressures and contracted inflation with shared responsibility for demographic cost pressures. In 2016/17, the Scottish Government funded £250 million of social care cost pressures through Health Boards. The South Ayrshire share of this is £5.8m

million. As part of the settlement the Scottish Government advised that Councils may reduce their contribution to Integration Authorities below their spend in 2015/16, South Ayrshire Council reduced their contribution by £1.6m

- South Ayrshire IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this overall responsibility, the IJB is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- The IJB, as required under the Local Government Act 2003, makes arrangements to secure Best Value, through continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, effectiveness, the need to meet the equal opportunity requirements, and contributing to the achievement of sustainable development.
- Significant progress has been made on the development and approval of a locality planning framework for South Ayrshire which will be at the centre of efforts towards changes in the balance of care by growing capacity in local communities, developing local assets and through locality planning groups providing six forums, locally, where local people and professionals from across the sectors can meet to discuss local needs and priorities and seek to have these reflected in the Partnership's Strategic Plan. The six locality planning groups first met in the autumn of 2015, have been meeting regularly, have identified their initial priorities, have appointed their office bearers and have each awarded grants from a Small Grants Fund provided through the Integrated Care Fund.
- A Register of Members Interests has been established for IJB Members and IJB Members have been invited to sign the Code of Conduct for Members of Devolved Public Bodies. It was agreed that training would be made available for all of the IJB after the 2017 elections. Since the inception of the IJB there have been regular briefing sessions allowing Board members to develop their understanding of the issues in an informal setting.
- The main decisions of the IJB are made by the Board. There is a Performance and Audit Committee established to support the decision making of the IJB.
- The Performance and Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2013 (PSIAS) and regularly monitors the performance of the IJB's Internal Audit service. In addition

to regular reports to the IJB Performance and Audit Committee, the Chief Internal Auditor prepares an annual report to the Audit and Performance Committee including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control. The Internal Audit Annual Report 2016/17 was presented to the IJB on 13 June 2017.

- The Performance and Audit Committee will receive an annual report against the current Partnership Performance Framework at its, June 2017 meeting. This will provide a range of performance indicators grouped under the Partnership's Strategic Objectives as at 31st March, 2017. The Performance Framework remains under on-going development and refinement and will be subject to change as pathways, approaches and services change. The performance report will also provide information on progress against the 2015-18 Strategic Plan Implementation Plan.
- The IJB complies with the requirements of the United Kingdom Public Sector Internal Audit Standards 2013: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".
- The Chief Internal Auditor of the IJB is also the Chief Internal Auditor of South Ayrshire Council. The Chief Internal Auditor of the IJB is invited to attend the Audit Committee of NHS Ayrshire & Arran Health Board and has full access to all audit papers and internal audit reports. Agreement has been reached on the reliance that the IJB Chief Internal Auditor can place on the work of the internal audit of NHS Ayrshire & Arran Health Board.
- In relation to the development of its governance arrangements, the IJB has established a Strategic Planning Advisory Group (Strategic Planning Group) as required by regulation to advise it on the content of its Strategic Plan and to provide support and comment within the Partnership on the development of policies across the full range of delegated functions
- An officers' Health and Care Governance Group has been set up which will provide assurance to the Integrated Joint Board on the delivery of safe, effective, person centred care in line with the Integrated Joint Board's statutory duty for the quality of health and care services.
- The IJB complies with the requirements of the CIPFA Statement on "The Role of the Chief Financial Officer in Local Government 2010". The IJB's Chief Finance Officer (Section 95 Officer) has overall responsibility for the IJB's financial

arrangements, and is professionally qualified and suitably experienced to lead the IJB's finance function and to direct finance staff.

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2016/17 this included the following:

- The IJB uses the systems of South Ayrshire Council and NHS Ayrshire and Arran Health Board to manage its financial records. The operational delivery of services within the NHS Ayrshire and Arran Health Board and South Ayrshire Council, on behalf of the IJB, will be covered by their respective internal audit arrangements as at present. The IJB's Chief Internal Auditor is professionally qualified and suitably experienced to make the assessment on the internal control system of the IJB. The IJB's system of internal controls is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability.
- Development and maintenance of the systems is undertaken by the NHS Ayrshire and Arran Health Board and South Ayrshire Council as part of the operational delivery of the Health and Social Care Partnership. In particular the system includes:
 - comprehensive budgeting systems;
 - setting targets to measure financial and other performance;
 - regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets; and
 - formal project management disciplines, as appropriate.
- The Director of Finance, NHS Ayrshire and Arran Health Board and the Head of Finance and ICT, South Ayrshire Council have provided assurances that the charges for the services commissioned reflect the income and expenditure recorded in their financial systems and that they are complete and accurately reflect appropriate charges.
- The Performance Appraisal and Audit section of South Ayrshire Council operates in accordance with United Kingdom Public Sector Internal Audit Standards which came into force with effect from 1 April 2013. The section undertakes an annual programme of work approved by the Audit and Governance Committee Panel acting in its role as the Council's Audit Committee.

- All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility within the Partnerships to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. Performance Appraisal and Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are currently reported to South Ayrshire Council's Chief Executive and to the Council's Audit Committee.
- The Internal Audit service of NHS Ayrshire and Arran is provided by PriceWaterhouseCoopers (PwC).
- PwC's Internal Audit methodology is aligned to Public Sector Internal Audit Standards (PSIAS). The NHS Ayrshire & Arran Audit Plan for 2016/17 was agreed with management and approved by the NHS Ayrshire & Arran Audit Committee. All internal audit reviews have been completed in accordance with the approved Internal Audit Plan, subject to any amendments formally approved by the Audit Committee. All reports are presented at the Audit Committee in addition to any other relevant governance committees within NHS Ayrshire & Arran, as appropriate. Any control weaknesses identified are agreed with management, along with a responsible officer and target date for agreed action to be taken. Follow up work is undertaken each year on previously agreed actions where the risk rating is medium or above. Management's progress implementing these actions is formally reported to the Audit Committee.
- The IJB has approved the Financial Regulations, a Reserves Policy, and an Expenses Policy.
- In 2016/17 an initial budget was taken to the IJB in June detailing the extent of the cost reductions required. In October the IJB agreed that some of the cost reductions would be managed on a non-recurring basis to allow permanent solutions to be developed. The uncertainty on funding beyond the short term contributes to delays in setting budgets. Every effort will be made to develop more formal budget setting processes.
- The IJB is presented with financial reports on four occasions during the year to advise on the projected expenditure in the current year against the funding available. These reports explain the major variations on budget and advise on options to achieve overall balance.

- The IJB has approved a number of governance related documents including: Standing Orders and a Scheme of Delegation. The Financial Regulations set out the interaction of the parties to the working of the IJB and in particular the use of the Parties' standing financial instructions as appropriate.
- The internal audit functions of both Parties carry out continuous auditing of the core financial systems (ledger, payroll, creditors and debtors).
- 'Whistleblowing' arrangements are dealt with by procedures in the Parties.
- A new Social Work Complaints Procedure has been introduced to comply with the guidance produced by the Scottish Government. Complaints relating to health care are dealt with through NHS Ayrshire & Arran Health Board procedures.

The IJB complies with "The Role of the Head of Internal Audit in Public Organisations" (CIPFA) and operates in accordance with "Public Sector Internal Audit Standards" (CIPFA). The Head of Internal Audit reports directly to the Performance and Audit Committee with the right of access to the Chief Finance Officer, Chief Officer and Chair of the Performance and Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the Performance and Audit Committee.

Review of Adequacy and Effectiveness

The IJB is required to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

This review has been carried out by the Chief Internal Auditor of the IJB during 2016/17. As part of this review all pertinent audit reports of the IJB and the Parties to the IJB, internal and external, were scrutinised to assess the risk and gain reassurance that any remedial action required has been acted upon.

The results of the review were reported to the IJB on 13 June 2017, with the key conclusions being that reasonable assurance can be provided that adequate controls surrounding the governance and internal controls within South Ayrshire IJB were in place and operating effectively in 2016/17.

Action Plan

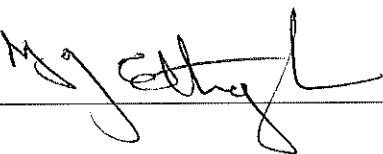
Following consideration of the review of adequacy and effectiveness an action plan has been agreed to ensure continual improvement of the IJB's governance. None of the issues to be addressed in the action plan are significant.

Conclusion and Opinion on Assurance

While recognising that improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements.

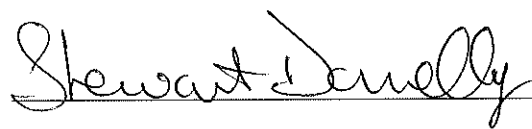
We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.



Tim Eltringham
Chief Officer

13 September 2017



Stewart Donnelly
Chair of the IJB

13 September 2017

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices.

		2015/16			2016/17	
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
53,858	0	53,858	Community Care & Health	54,375	0	54,375
57,913	0	57,913	Primary Care	59,794	0	59,794
37,459	0	37,459	Mental Health Services	40,022	0	40,022
21,938	0	21,938	Children and Criminal Justice Services	22,004	0	22,004
1,802	0	1,802	Integrated Care Fund/ Delayed Discharge	2,343	0	2,343
4,703	0	4,703	Support Services	4,783	0	4,783
23,349	0	23,349	Acute Hospitals	22,416	0	22,416
17	0	17	IJB Operational Costs	22	0	22
201,039	0	201,039	Cost of Services	205,759	0	205,759
0	(201,039)	(201,039)	Taxation and Non-Specific Grant Income (Note 5)	0	(207,038)	(207,038)
201,039	(201,039)	0	Surplus or Deficit on Provision of Services	205,759	(207,038)	(1,279)
		0	Total Comprehensive Income and Expenditure			(1,279)

The only significant difference between 2015/16 and 2016/17 is the cost of the Acute Hospitals. The basis for the calculation has been reviewed. Applying the same basis to 2015/16 gives a cost of £20.5 million. The cost is matched by income and therefore no prior year adjustment has been made as there is no impact on the overall financial position. The increase in costs arises as a result of a higher number of admissions for unscheduled care.

The 2015/16 CIES figures have been restated to reflect the IJB's organisational structure, as required for the 2016/17 financial statements.

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

Movement in Reserves Statement

This statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

Movements in Reserves During 2016/17	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
Opening Balance at 1 April 2016	0	0	0
Total Comprehensive Income and Expenditure	(1,279)	0	(1,279)
Adjustments between accounting basis and funding basis under regulations	0	0	0
Increase or Decrease in 2016/17	(1,279)	0	(1,279)
Closing Balance at 31 March 2017	(1,279)	0	(1,279)

Movements in Reserves During 2015/16	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
Opening Balance at 1 April 2015	0	0	0
Total Comprehensive Result	0	0	0
Adjustments between accounting basis and funding basis under regulations	0	0	0
Result in 2015/16	0	0	0
Closing Balance at 31 March 2016	0	0	0

The Reserves will be available to the IJB subject to confirmation of South Ayrshire Council.

Balance Sheet

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

31 March 2016 £000	Notes	31 March 2017 £000
0	Short term Debtors	6 1,279
0	Current Assets	1,279
0	Short-term Creditors	7 0
0	Current Liabilities	0
0	Provisions	8 0
0	Long-term Liabilities	0
0	Net Assets	1,279
0	Usable Reserve: General Fund	9 1,279
0	Unusable Reserve: Employee Statutory Adjustment Account	9 0
0	Total Reserves	1,279

The audited accounts were authorised for issue on 13 September 2017.



**Sharon Lindsay BAcc CA
Chief Finance Officer**

13 September 2017

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarises the authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017.

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

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

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

Funding

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

Cash and Cash Equivalents

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

Employee Benefits

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

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

Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is

treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet, but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet, but is disclosed in a note only if it is probable to arise and can be reliably measured.

Reserves

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

Indemnity Insurance

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

Unlike NHS Boards, the IJB does not have any 'shared risk' exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

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

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

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 2017-2018 Code:

- Amendments to the reporting of pension fund scheme transaction costs
- Amendments to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

The Code requires implementation from 1 April 2017 and there is therefore no impact on the 2016-2017 financial statements.

3. Critical Judgements and Estimation Uncertainty

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

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' opinions that a transfer of economic benefits will be required, material contingent liabilities, if there were any, would be disclosed in the notes.
- The costs of the Acute Hospitals (Set Aside Budget) are based on historical data reflecting the costs incurred in providing non-elective care for in-patients and day cases in specific medical specialties.
- The costs associated with the provision of services provided under the lead partnership model are charged across the partnerships receiving the services on an NRAC basis.

The Financial Statements include some estimated figures. Estimates are made taking into account the best available information, however actual results could be materially different from the assumptions and estimates used. The key items in this respect are the Set Aside Budget and the Lead Partnership transactions.

4. Events After the Reporting Period

The Annual Accounts were authorised for issue by the Chief Finance Officer on 13 September 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

5. Expenditure and Income Analysis by Nature

2015/16		2016/17
£000		£000
81,880	Services commissioned from South Ayrshire Council	84,806
119,137	Services commissioned from Ayrshire & Arran NHS Board	120,782
142	Other IJB Operating Expenditure	144
5	Insurance and Related Expenditure	5
17	Auditor Fee: External Audit Work	22
(201,039)	Partners Funding Contributions and Non-Specific Grant Income	(207,038)
<hr/>		
0	Surplus or Deficit on the Provision of Services	(1,279)
<hr/>		

6. Taxation and Non-Specific Grant Income

2015/16		2016/17
£000		£000
70,071	Funding Contribution from South Ayrshire Council	68,401
130,968	Funding Contribution from NHS Ayrshire & Arran Health Board	138,637
0	Other Non-ringfenced grants and contributions	0
201,039	Taxation and Non-specific Grant Income	207,038

The funding contribution from the NHS Board shown above includes £22.4 m (£23.3 m 2015/16) in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

7. Debtors

31 March		31 March
2016		2017
£000		£000
0	Central Government: CNORIS	0
0	Funding NHS Ayrshire & Arran Health Board	0
0	Funding South Ayrshire Council	1,279
0	Non-public sector	0
	Debtors	1,279

8. Creditors

There are no creditors at 31 March 2017 (31 March 2016 £nil).

9. Provisions

There are no provisions at 31 March 2017 (31 March 2016 £nil).

10. Usable Reserve: General Fund

The IJB holds a balance on the General Fund for two main purposes:

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a financial planning balance to plan ahead to meet the cost of potential commitments which may occur in the short to medium term. This is regarded as a key part of the IJB's risk management framework.

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a general contingency.

				2015/16		2016/17		
Balance at 1 April 2015	Transfers Out	Transfers In	Balance at 31 March 2016			Transfers Out	Transfers In	Balance at 31 March 2017
£000	2015/16 £000	2015/16 £000	£000			2016/17 £000	2016/17 £000	£000
0	0	0	0	0	Technology Enabled Care	0	(275)	(275)
0	0	0	0	0	Physiotherapy	0	(50)	(50)
0	0	0	0	0	Various	0	(37)	(37)
0	0	0	0	0	Total Earmarked	0	(362)	(362)
0	0	0	0	0	Financial Planning Balance	0	(917)	(917)
0	0	0	0	0	General Fund	0	(1,279)	(1,279)

11. Unusable Reserve: Employee Statutory Adjustment Account

There are no unusable reserves at 31 March 2017 (31 March 2016 £nil).

12. Agency Income and Expenditure

On behalf of all IJBs within the NHS Ayrshire & Arran Health Board area, the IJB acts as the lead manager for Allied Health Professionals; Community Equipment Services, Continence Services and Technology Enabled Care services. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive

Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

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

2015/16		2016/17
£000		£000
17,097	Expenditure on Agency Services	16,906
(17,097)	Reimbursement for Agency Services	(16,906)
0 Net Agency Expenditure excluded from the CIES		0

13. Related Party Transactions

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

Transactions with NHS Ayrshire & Arran Health Board

2015/16		2016/17
£000		£000
(130,968)	Funding Contributions received from the NHS Board	(138,637)
119,077	Expenditure on Services Provided by the NHS Board	120,796
71	Key Management Personnel: Non-Voting Board Members	72
(11,820) Net Transactions with NHS Ayrshire & Arran Health Board		(17,769)

Key Management Personnel: The non-voting Board member employed by South Ayrshire Council and recharged to the IJB is the Chief Officer. Details

of the remuneration for the Chief Officer are provided in the Remuneration Report.

Support services were not delegated to the IJB through the Integration Scheme and are instead provided by the parent organisations free of charge as a 'service in kind'. The support services provided by NHS Ayrshire and Arran Health Board mainly consist of: provision of the Chief Finance Officer, financial management, human resources, ICT, payroll and internal audit.

Balances with NHS Ayrshire & Arran Health Board

31 March 2016 £000		31 March 2017 £000
0	Debtor balances: Amounts due from the NHS Board	0
0	Creditor balances: Amounts due to the NHS Board	0
<hr/>		
0	Net Balance with NHS Ayrshire & Arran Health Board	0
<hr/>		

Transactions with South Ayrshire Council

2015/16 £000		2016/17 £000
(70,071)	Funding Contributions received from the Council	(68,401)
81,820	Expenditure on Services Provided by the Council	84,819
71	Key Management Personnel: Non-Voting Board Members	72
<hr/>		
11,820	Net Transactions with South Ayrshire Council	16,490
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Key Management Personnel: The non-voting Board member employed by South Ayrshire Council and recharged to the IJB is the Chief Officer. Details

of the remuneration for the Chief Officer are provided in the Remuneration Report.

Support services were not delegated to the IJB through the Integration Scheme and are instead provided by the parent organisations free of charge as a 'service in kind'. The support services provided by South Ayrshire Council mainly consist of: provision of the Chief Internal Auditor, financial management, human resources, legal committee services, ICT, payroll and internal audit.

Balances with South Ayrshire Council

31 March 2016 £000		31 March 2017 £000
0	Debtor balances: Amounts due from the Council	1,279
0	Creditor balances: Amounts due to the Council	0
<hr/>		
0	Net Balance with South Ayrshire Council	1,279
<hr/>		

14. VAT

The IJB is not registered for VAT and as such the VAT is settled or recovered by the partner agencies.

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

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

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

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

Independent Auditors Report

Independent Auditor's Report to the Members of South Ayrshire Integration Joint Board and the Accounts Commission

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

Report on the Audit of the Financial Statements

Opinion on Financial Statements

We certify that we have audited the financial statements in the annual accounts of South Ayrshire Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of Opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. [We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Chief Finance Officer for the Financial Statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in

accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

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

Other Information in the Annual Accounts

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

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on Other Requirements

Opinions on Other Prescribed Matters

We are required by the Accounts Commission to express an opinion on the following matters.

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

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

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

Matters on Which We Are Required To Report by Exception

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

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

We have nothing to report in respect of these matters.



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom

13 September 2017